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# CORRESPONDENCE

BETWEEN

HENRY HUCKS GIBBS, Esq.

(GOVERNOR OF THE BANK OF ENGLAND)

AND

SIR LOUIS MALLET, C.B.

(UNDER SECRETARY FOR INDIA)

ON

# THE SILVER QUESTION IN ITS RELATION TO INDIA.

LONDON:
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1877.

Bank of England,
*March* 15*th*, 1877.

My dear Mallet,—

I send you a print of our Correspondence on the Silver Question in its Relation to India.

It is satisfactory to me to see that my confidence in the recovery of the price of Silver has not been disappointed.

The present retrogression of the price (which, however, now stands at about 9*d*. per oz. above the lowest point) is probably caused by some German sales; but this disturbing cause cannot be many times renewed, and its effect on this and all future occasions should quickly disappear.

I have added, in the Appendix, a letter from the *Times* of 24th November, 1876; Mocatta & Goldsmid's last Yearly Report on the Bullion Market; and a table showing the fluctuations in the value of the metal since 1833. Also, a statement sent me by the Deputy-Master of the Mint of the position of the Silver Coinage Question in the United States and in the Latin Union.

Yours truly,

HENRY H. GIBBS.

# CORRESPONDENCE.

FROM SIR L. MALLET TO MR. H. H. GIBBS.

INDIA OFFICE,
*26th July*, 1876.

MY DEAR GIBBS,—

I am sorely perplexed by the Silver Question in its relation to India. I cannot feel that either Goschen, Bagehot, or Fawcett, have sounded the depths of one of the most subtle and exceptional political and economical problems ever presented for practical solution.

Have you an opinion as to a Gold Currency for India under present or possible circumstances?

Ever yours,
L. MALLET.

[The Reply to this Letter has not been preserved.]

FROM SIR L. MALLET TO MR. H. H. GIBBS.

INDIA OFFICE,
*2nd August*, 1876.

DEAR GIBBS,—

Many thanks for your letter. It would be absurd for us to think of supplying India with gold. The only rational idea has been to limit the coinage of silver and

open our Mint to gold, at the same time making gold legal tender. The rupee, to be kept at its present artificial value by a limitation of supply, would probably continue to be our sole currency, or nearly so, for some time.

The *Times* (Goschen, I believe)—and Fawcett and Bagehot, I know—talk about the impossibility of keeping the rupee above its intrinsic value in silver; but, in the first place, all our practical authorities say that this is a chimera, and that there would be no serious danger of counterfeit or illicit coins; and, in the second place, the same thing exists in England and in the Latin Union now.

There are other serious objections, but none that I have seen so serious as the evils which must be encountered if silver remains as it is, or goes lower. Nothing short of a return of the price to its rate a year ago can right matters in India.

I am inclined to agree with you on the general prospect, but the future is quite a matter of speculation; and, in governing a country like India, one wants a solid basis to work on.

Ever very truly yours,

LOUIS MALLET.

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From MR. H. H. GIBBS to SIR L. MALLET.

Bank of England,
*9th August,* 1876.

My dear Mallet,—

Whatever you do, or don't do, you will be beset by much difficulty and discontent. What will be the effect of doing what you suggest, as matters now stand? You may open your Mint for gold, and make it a legal tender; but who will take gold to it to buy with, or to pay debts with, when he can do it so much more cheaply with silver?

But, you say, you will raise the price of the rupee by

limiting its coinage: I suppose the effect of the limitation in the Latin Union *is* to enhance the value of the franc; but in England, where the silver is not a real legal tender, the case is not *ad rem.* The shilling is only a metal *note* for the twentieth of a pound.

Probably you will, at the same time, be necessitated to alter the rating of gold to silver. But what rating will you fix? To fix a just one is absolutely necessary, if you would get over the difficulty in last page, of the prevalence of the cheapest metal; but how long will it remain just? The value may fluctuate to and fro every day, and you will have to measure with a "Lesbian Rule."

Then, if you limit the coinage, and so enhance the value of the rupee, do you not do an injury to the debtor, who has a right to pay his debts in the substance the value of which you are arbitrarily raising? The Government is, I suppose, the greatest debtor, and they can settle their quarrel with themselves; but how they will appease the individual debtors is not so clear. I don't say, as some do, that it would be a *fraud* on the debtor, because you would answer that Nature has committed a fraud upon the creditor by disturbing the value of the subject of his contract, and that it is the business of a Government to rectify that fraud by restoring, by any means in its power, the original balance between the parties. Very well—if you can only do it.

Then you propose, if not to substitute a gold currency for a silver one, yet, by degrees, to substitute gold for part of a silver one, to make gold a part of the currency and a legal tender. So far as you are successful, so far will you help to depreciate silver, alter anew the rating between gold and silver, and begin the muddle *da capo.*

All I do is to point out the difficulties as they occur to me, and I daresay have already occurred to your wiser heads in the India Office; but, as to a remedy, I am as far from seeing one as ever. I should like to give Lord Melbourne's advice; but, in a matter of life and death, you will say we *can't* "leave it alone."

Hankey says Chevalier's article is in the *Revue des deux Mondes* for this month.

Sincerely yours,

HENRY H. GIBBS.

I am not without apprehension of the coiner when so great an illegal profit can be made. People say, "Oh, no! look at false coinage. How much more profit that gives, yet how little there is of it." Not so; it gives very little profit, as it can only circulate hole-and-cornerwise. Illegal coins once introduced would be difficult of detection, and would run everywhere.

Limiting the *quantity* of coin is like having a forced paper circulation in too great quantities and contracting it to counteract its depreciation. Good enough for internal affairs, but no use when you have to pay your foreigner.

What a difficulty it is! After all, we *are* a nation with a double standard—one current in one part of the dominions, one in another,—not *very* different from our having a gold standard in Scotland or Ireland and a silver one here, or *vice versâ*.

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From SIR L. MALLET to MR. H. H. GIBBS.

India Office,
10*th August*, 1876.

My dear Gibbs,—

I am very much obliged to you for your letter.

In the first place let me say that, so far as I am informed, Lord Salisbury has not the remotest intention at present of doing anything in the direction of a gold standard; but the question is one which must be studied in all its bearings, because where so many interests are affected, we must be prepared to defend and justify a policy of inaction.

My personal difficulty is, that I am utterly unable to satisfy myself so far that the justification, either scientifically or practically, is sufficient.

You speak of our raising the price of the rupee by limiting the coinage. This has not been proposed. So far the rupee has not fallen, and contracts in India are undisturbed. There can be no injustice in keeping them so—by arresting a future fall.

If when the exchange had been restored to par at whatever rate we fixed it—1*s*. 10*d*., 1*s*. 11*d*., or 2*s*.—gold did not go to India, it would only be because it was not profitable to send it; and unless India can carry on her foreign trade with a gold standard, considering that nine-tenths of that trade are with England, she had better not attempt it.

I fully admit that if illicit coinage cannot be prevented, the operation is impossible; but here I can only be guided by the best practical and administrative opinions at my command.

If it can be prevented, I entirely fail to perceive the objection to the scheme.

The question is very well treated, I think (I have never seen his argument disputed), in Mill's "Chapter on International Trade," wherein he discusses the "*tribute*" question.

The evil he there describes is that from which India suffers. The fall in silver in Europe has terribly aggravated this evil, and I should much like to stop this leak. When we have a common standard I shall be the first to wish to leave matters to find their level.

People argue as if it were a law of nature that England should have a gold standard, the Latin Union a double standard, and India a silver standard. So long as countries continue to legislate in this parochial fashion, it is a case of "pull devil, pull tailor," and every Government must do the best it can for its own people in an universal scramble.

If India had a National Government, instead of being governed by the foreigner, there would not, I think, be

much hesitation—if the administrative difficulties could be got over.

Who is Mr. Cazalet?—a Russian, I suppose. I have known several of the name in that connexion.

I enclose a memo. written by one of our best authorities here, which will, I think, clear up some of the difficulties in Mr. Hankey's mind.

Ever yours very truly,

LOUIS MALLET.

The value of the foreign trade of India is about 10*s.* per head of population. In England it is about £16 per head!

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MEMORANDUM.

*(Forwarded by* SIR LOUIS MALLET *in the foregoing Letter.)*

As to taking gold to the Mint, every one must do it who wants money and will not buy rupees at their enhanced rate. Certainly, 5-franc pieces are not enhanced in value greatly, and are *de facto* "token" money so long as this is the case, though they are a legal tender to any extent. The practical limit of their use in payments is obviously that their number is limited, and that they cannot be made from silver by private persons.

The rating of silver to gold must of course be fixed in an arbitrary way, and the intention should be to prevent disturbance by going as close as possible to the rating before the fall in value became serious. Any future change of silver value ceases to be of any importance in a currency point of view as soon as the gold standard is adopted.

As to the *debtor*, Mr. Gibbs answers himself.

India escapes the difficulty of *paying the foreigner* in bullion—the foreigner pays her. However, as a matter of fact, this condition is an essential element in the whole affair, and the difficulties of which we complain would not

arise, *so far as Indian interests are concerned,* if the currency of India were gold and that of England silver: England would be quick enough, in such a case, to do what we now wish to do.

The reply to Mr. Hankey's question is, I think, that it might quite as readily be possible to justify interference with the Indian currency if the value of silver rose inordinately as if it fell inordinately.

The consequences of the two sorts of change will, of course, be very different; but if carried to an extreme, would both equally call for State interference.

The evils of an extreme *fall* in value we quite appreciate now. It means that India shall be paid for its exports in a depreciated currency, and that the profit derived from the transaction shall be secured by sellers of silver outside of India. The depreciation of the currency by changing the standard of value will require the State, and all persons having dealings with countries out of India, to re-arrange their incomes reckoned in rupees; that is, to revise the whole scale of taxation and of salaries. The justification of the suggested change of standard is to avoid these results.

An extreme rise in the value of silver would have quite different consequences. Silver would go to India in much reduced quantities; or its export would be stopped, and it would flow from India. The value of the rupee would greatly rise. Imports into India would increase, and exports diminish. The currency required for purposes of trade would not be forthcoming, and commerce would be seriously obstructed. There would be a famine of money. The taxes would have to be paid in kind, and all transactions would be driven back to barter. The natural and reasonable remedy would be just as at present, to introduce a currency that would supply the wants of the country without these evils.

As a matter of fact, it is not easy to conceive circumstances that should cause such a rise in the value of silver.

But merely for the sake of argument, suppose that all silver moneys ran dry, and that the silver all over the world began to decay, and perished gradually away. This would bring about Mr. Hankey's rise just as present over-production does the fall.

Now, would any sane person doubt that with a rise of value due to such causes, the proper course would be to demonetize silver?

As a matter of fact, also, a standard of value is not fixed to enable one set of people to obtain an advantage over another set by reason of changes of value in the standard article, which is the idea suggested by Mr. Hankey, but because it does what is possible to *prevent* this result. The conception of a standard—though, of course, in currency it cannot in practice be exactly realised—is something that shall not change. It certainly is not a necessary part of a rational system of currency that one-half of the community shall expect to cheat the other half by help of fluctuations in the standard of value that they have adopted for mutual convenience.

It is, no doubt, one of the unavoidable evils of all systems of currency that a real fixed standard of value is, in the nature of things, unattainable, and that fluctuations have to be tolerated within certain limits. When those limits are exceeded it becomes plain that the standard has been injudiciously chosen, and it should be changed.

In every case the inconveniences on the two sides have to be weighed against one another, and if ever, by reason of a rise in the value of silver, or of whatever metal is selected for the standard of the Indian currency, evils arise comparable to those that have been caused by the late fall of value, I for one will strongly call for a change of the standard.

A rise in the value of silver not caused in the manner just suggested must arise from increased demand, and such increased demand can hardly be caused except for currency. If the demand arose for some country outside of India the effects would be similar to those before spoken of. If for India itself, as was actually the case during the American

War, when silver rose to over 62*d.* per oz., the evils of depletion would, of course, not arise. On the contrary, the risk would be of *depreciation in India*, notwithstanding the high outside price; and this actually happened on the occasion referred to, when prices rose enormously over all Western India where the cotton was bought and sold.

For such a disturbance, there is, so far as I know, no possible remedy but cessation of the demand for the article which has led to the increased imports of bullion, and enlarged stock of currency.

In short, what has been proposed for India not being directly dependent on the fact of silver being cheaper than it was, no proper contrast can be drawn with what might be proper in the event of a rise of value, until the whole of the consequences of the two sets of circumstances have been compared and considered; and to state the question in a way that conceals this condition, is to suggest an improper way of approaching it. To this confusion of thought is added that which implies that a wrong would be done by correcting acknowledged defects in the system of currency, because, if uncorrected, certain persons would be benefited by them.

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FROM MR. H. H. GIBBS TO SIR LOUIS MALLET.

*16th August*, 1876.

MY DEAR MALLET,—

Thank you for your letter and its enclosure.

"*Brevis esse laboro*," &c. By my "as matters now stand," in my former note, I meant to express "while the rating of silver to gold ($15\frac{1}{2}$ to 1) is the same, and while nothing is done to enhance the value of the rupee." While these circumstances exist, you may open your Mint to gold if you please, but it is manifest that not an ounce will come into it.

By my brevity I caused my words to be obscure; and,

by some other objectionable quality in my mind, I have failed to understand you, and, in some points, my unknown correspondent whose letter you enclose.

In your first letter you say—"The only rational idea has been to limit the coinage of silver . . . . ." and, afterwards, "The rupee kept at its present artificial value by a limitation of supply would . . . continue to be our sole currency." But now you say—"You speak of our raising the price of the rupee by limiting the coinage. This has not been proposed."

Is there not a contradiction here? Then you say—"So far the rupee has not fallen." I have little to do with India, and am no judge; but I hear it stated on all sides that the purchasing power of the rupee *is* less than it was—in other words, it *has* fallen. Certainly, as measured in gold, it has fallen, as every one can see.

Nor can I, probably from my Indian inexperience, at all understand or follow your argument about the foreign trade of India. She *has* a foreign trade, and, moreover, she *has* to pay £15,000,000 a year (or whatever it is) on her indebtedness, and you must legislate for facts as they are, not as they might have been. How do you make out the payment of £15,000,000 to be a loss?

An artificial raising of the exchange to par—any artificial enhancement of the standard money above its intrinsic value—seems to me to be simply a depravation of the currency, a measure to which it is not wholly improbable that the "National Government" of which you speak might have recourse, but I doubt its subjects would have long to mourn over their lost "alien despotism" (as it has been called), when they had such a King Stork in place of King Log.

[Did you go to Church last Sunday, and did you hear how that "silver was of none account in the days of Solomon"? Now he had, I think, a silver currency. What a pity that he did not, in his wisdom, let us know what he did under the circumstances!]

You say—"People talk as if a gold standard for England, a double standard for the Latin Union, and a silver one for

*Mr. H. H. Gibbs.*

India, were a law of nature." I need hardly say that *I* don't talk so. I have no belief in the possibility of a *double* standard anywhere. An *alternative* standard may exist, as in the Latin Union, and be an evil so far as it does exist. I don't care *what* the standard is, so that it be one, so that one can pay one's foreigner with it, and so that it is in no way tampered with. *I* don't object to a gold standard for India, but I see *enormous* difficulties in the way of establishing it. You say you can't reconcile it with good statesmanship that things should be left as they are. There would be only one thing more unstatesmanlike: and that is, to adopt any one of the many prescriptions for the cure of the disorder without being quite certain how it is to be made up, and what will be the effect on the *corpus* on which the experiment is to be made. A single blunder might be irretrievable, and might stamp the author for ever as a bungler and a rash one. I have, as yet, seen nothing proposed of which the dangers are not certain, and the advantages doubtful.

As to a gold standard, I doubt whether you *could* establish it; and if you did, silver would be destroyed, no doubt; but I don't readily see where (by the mere establishment of such a standard, irrespective of the means which might be adopted for establishing it) the source of profit to England would be cut off.

When, *if ever, by natural means*, the exchange has been restored to par, and the intrinsic value of the rupee is restored, so that $15\frac{1}{2}$ ounces of the silver in it is worth 1 ounce of gold, the change might be effected without doing real injury to any one—whether, having regard to the habits and feelings of the natives, it would be a statesmanlike thing to do, is another question.

It is so difficult for people to understand one another in correspondence!

Mr. Cazalet is a friend of Hankey's—an Englishman who has been a great deal in Russia.

I cannot follow altogether the arguments in the paper you enclose, chiefly because it is concerned almost entirely

with Mr. Hankey's question, which I leave on his own shoulders.

I don't know what the writer means by fixing the rating by going as near as possible to the rating before the fall became serious. That would be going to $15\frac{1}{2}$—to no change at all. Certainly, future fluctuations would be of no importance WHEN the gold standard was established, nor when the world came to an end; but how about the interval?

"As to the debtor," he says, "Mr. Gibbs answers himself."—No, I don't. I give *an* answer to myself, but not a statesman's answer. As a matter of pure justice, my answer *might* do, though I am not quite sure of that; but a statesman has to consider not what should be, but what will be, the effect of his measures; and however just it may be, the debtor will think you an unjust steward if, when he owes 100 measures of meal, you tell him to take his bill quickly and write *six* score. Whether he has promised to pay meal or silver makes no difference.

I send you a yarn of my colleague, Mr. Latham, on the subject.

Sincerely yours,

HENRY H. GIBBS.

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## MEMORANDUM BY MR. LATHAM.

The standard coins of a country are a totally different conception from the subsidiary coin, and proceed on a different principle, *e.g.*, the standard coins of the United Kingdom are our sovereigns, each of which contains such a weight of pure gold as will multiply into—

£3 17*s.* $10\frac{1}{2}$*d.* ℔ oz. of standard gold.
$44\frac{1}{2}$ guineas ℔ lb. Troy of ditto.
1869 sovereigns ℔ 40lb. ,, of ditto.

By the Mint Indentures, by the Queen's Proclamations,

and by Acts of Parliament without number, the Queen's subjects are entitled to expect that these equivalents are to be preserved, and that, in faith of them, they may express their contracts in Pounds sterling, or good and lawful money of Great Britain, and not have recourse to the comparatively clumsy expedient of employing such language as "I promise to pay—not £ st^g 1,000—but 113,000 grains of pure gold."

There is no doubt at all but that a despotic Government, if it refuses to convert bullion into coins, as by ancient law required, may gradually induce a scarcity and artificial price of the existing coins; but the effect of this would only be to destroy the old relations, and so do great injustice between debtor and creditor.

To the new relations it would not much signify, because merchants and others would adopt new language, such as "Money current with the Merchant," as in the days of the Patriarchs, or as still apparent in such countries as Madagascar at this day, where every buyer or seller in the market provides himself with weights and scales of two species—one for weighing the commodities, and one for weighing the metallic money.

To limit the issue of coins at the Mint as a mode of raising the price of them would, I think, be better effected by infusing into each coin a larger quantity of inferior metal, in the fashion of Henry VIII.; or as was proposed by Mr. Lowe in more recent times, at the suggestion of two great Mint masters—Colonel Smith, of the Calcutta Mint, and Mr. Thomas Graham, of the Mint in Tower Hill,—it was laughed at.

The proposition that "no one would object to an inconvertible paper currency in India if there was an absolute guarantee that it would be kept to the level of a metallic standard" is startling enough, at first, to make one hold one's breath; but being coupled with the hypothesis of India having no foreign trade, and so on, it means no more than to say that, if you could surround a country with a wall of brass—no exports—no imports—the internal

exchanges could be operated just as well by counters as by coins of one of the precious metals.

I should like to know what would be the nature of such a guarantee. The only proof of the level with the standard is the convertibility of the paper at the moment, and on the spot; without that, the note is nothing better than the American greenback.

If I have been over-minute in describing our own standard money it is because its excellence has been proved by the experience of more than fifty years, and by the testimony of many other great countries. A Bill of Exchange on London can only be paid in one way, and therein lies the preference for it all over the world in comparison with a bill on other places. Go to China or Peru and try to pass a bill on Paris or on New York.

To suppose that this superiority lies in the gold radix is only a plausible delusion. There was a "scare" about the fall of gold in the decade of 1851-60, just as there is now about the fall in silver. If silver in place of gold had been selected as our radix in 1819—the same monetary principles being preserved—we should have been all right. I admit that I prefer the radix of gold to that of silver, but either will answer the same purpose so long as it is not tampered with.

Bank of England,
*16th August*, 1876.

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From SIR L. MALLET to MR. H. H. GIBBS.

India Office,
*17th August*, 1876.

My dear Gibbs,—

I am quite ashamed of having given you and Mr. Latham the trouble of writing at such length on such a subject.

You are quite right in saying that it is very difficult to write on these matters so as to be understood, especially when one has to take so much for granted as to general principles; and I shudder to think of the impression produced on Mr. Latham's mind by one or two of my observations, unaccompanied by explanation.

I am afraid that I cannot say that these letters have cleared up our mutual difficulty; but perhaps I may have the advantage some day of a personal discussion, if such an occasion could ever arise.

In the meantime, I wish you would consider whether, if we had adopted a gold standard a few years ago, when the exchange was at par (a course which I gather you would have approved), you would have thought it so out of the question at this crisis to do what the Latin Union is doing, and limit the coinage of silver.

And if not, what is the difference between the two cases? In neither would it be a question practically of any great use of gold in India itself.

Ever yours,

L. MALLET.

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FROM MR. H. H. GIBBS TO SIR L. MALLET.

*29th September*, 1876.

MY DEAR MALLET,—

In one of your letters you ask me whether in case the par value of gold to silver ($15\frac{1}{2}$ to one) had remained unaltered, and the exchange had been at par, and the Government had taken advantage of the occasion to substitute a gold standard for a silver one (a step which, under such circumstances, you gather that I would have approved), I should have seen any objection to the Government doing what the Latin Union have done, and limited the coinage of rupees.

There are two questions here—1st, whether, under given circumstances, I should approve of the substitution of a gold standard for a silver one in India; and 2nd, whether, if it were done, you might safely imitate the action of the Latin Union by curtailing the number of rupees.

Abstractedly, I prefer a gold standard—or rather one standard—everywhere, and the adoption of a gold standard in India; gold being the most suitable to be that one, would be an approximation to such an identity of standard.

But a single standard all over the world is not to be gotten (any more than the settlement of the Turkish question is) by merely saying what one wishes to be done. The question is, what can be done, how is it to be done, and what are the difficulties and dangers in the way? The adoption of it by any one country may cause a great dearth of the metal which is to be selected; that is to say, the increased demand would enhance the price, and the successive adoption of it by others would progressively, and in an increasing ratio, enhance this difficulty.

Whether I should think it desirable to make gold the standard in any particular country, would depend on circumstances of the country in question, and on the habits of its people; but mainly on the manner in which the change was to be set about, and on the question whether, if it was done in the only proper, perhaps the only possible way, it would be worth its cost.

Assume that the relative value was unchanged, and the exchange at par. I will say in passing that you would then have no evil to remedy, and could only change because of its being better to have but one standard in countries under the same rule. If you choose to change, you cannot merely do it by a decree that gold shall be the standard from the 1st January, 1877, and onward—*i.e.* that every one who has to pay $15\frac{1}{2}$ ounces of silver shall be obliged to pay 1 ounce of gold—because the moment you say it you alter the relative values. Gold is sought for. Silver is a "drug;" and the man who has to pay his ounce of gold has to begin by

NO

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giving 16 ounces of silver for it, and will necessarily go on increasing his price. A bad look out for the paying part of the community! but a worse look out for the Government who is not only itself a payer—(that does not much signify: they only pay what they receive; they have nothing else)—but has to enforce the obnoxious measure.

The only way in which one standard can be substituted for another is by the Government taking upon themselves and bearing the burden, as the German Government, and, I suppose, all other Governments, have done. They must accumulate a stock of gold sufficient for the needs of themselves and the rest of the community, and on a given day proclaim the change, and give their gold for the people's silver. The cost would be enormous; and it is deserving of consideration whether the remedy—so far as cost goes—would not be worse than the disease. Why?

As to your second question—the answer is not that the course proposed is objectionable, but that it is impossible. You could not imitate the Latin Union; for it is a standard of value of which they have limited the issue; but by your hypothesis your standard is to be gold, and that being the case, you might do what you like with your silver, *i.e.* your rupees, which would be merely a token coinage, without in the least imitating the action of the Latin Union.

What you would do with them in such a case would be, I suppose, to call them in and re-coin them, diminishing their intrinsic value, as becomes a token coinage, to the lowest point that you could reach with safety.

But I suspect that what you have had in your mind all the while has been—not the substitution of a gold standard for a silver one, but the addition of a gold coinage as legal tender to the existing silver one.

Well, I have said before, the objection to a double standard is that it neither has existed nor can exist anywhere, except in theory.

If the exchange is at par intrinsically and practically, you declare a double standard: the circumstances change

the next morning—one of the two metals becomes the cheapest, and the other vanishes and is no more seen.

Nor would the case be different, as the exchange and relative values are now, if you were to proclaim a double standard on the basis of 18 to 1, or whatever the intrinsic par may be: sooner or later a change would take place, and the dearer metal would leave the country; so much for that.

Ridiculous

You said that the purchasing power of the rupee had not diminished. I asked a resident conversant with prices, and the answer, "I think it has not, except in the case of imported articles." Now it is evident that home products would be the last to feel the change; but it is also evident that, as home producers are consumers of imported goods for which they pay more than they did, the natural tendency will be towards an enhancement in price (in rupees) of home produce also.

Yours truly,

H. H. GIBBS.

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### FROM SIR L. MALLET TO MR. H. H. GIBBS.

INDIA OFFICE,

*6th October,* 1876.

MY DEAR GIBBS,—

I am afraid that we have been playing at cross purposes on the subject of your letter, for which I am nevertheless very much obliged.

It is evident that I did not explain with sufficient clearness the precise measure, or group of measures, which have been proposed, and which I have been compelled to examine.

These are briefly—

1. Cessation or limitation of silver coinage, without demonetisation.

2. Declaration of gold as a standard and legal tender, not, however, demandable.

3. The opening of Indian Mints for the coinage of gold at a rate of 10 rupees to the gold coin, which would thus become the unit of value. The exact rate is a matter for discussion. Col. Smith, whose pamphlet I have no doubt you have read, urges 2*s.* the rupee; but this is, perhaps, a little too high. It must depend upon the present value of the rupee.

4. The prohibition of imported rupees.

These are the leading features of the scheme, with many subsidiary arrangements.

You will see that your arguments are, for the most part, directed against other proposals, and I can only say that in the main there is little difference between us.

The abstract question of a double standard is a large one; but I am on the whole inclined to think that Wolowski, Laveleye, and the chief German economists (I believe), have the best of the argument, if the system could be adopted universally. As this is not possible at present, we must do the best we can for ourselves; and I think that India would possess a great advantage over other countries in the competition for gold, owing to the peculiar conditions of her exchange.

I hope to send you, next week, a very tedious paper, which fate has forced me to write on this question, and shall be very grateful for the most searching and unsparing criticism, for I have no sort of desire to support a proposal which is not unassailable in vital respects; and, although you

have never felt this yourself, you may, perhaps, understand the delight to an indolent man of being satisfied that the right thing to do is to do nothing.

Ever yours,

LOUIS MALLET.

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From MR. H. H. GIBBS to SIR L. MALLET.

London,
10*th October*, 1876.

My dear Mallet,—

I fear you are addicted to the vice of writing letters without keeping copies thereof; if not, and you will refer to yours of the 17th August, you will see that mine of the 29th September was addressed exactly to the questions contained in the last paragraph of that letter, and not to any especial proposals at all.

Now you give me a group of proposed measures on which I will give you my opinion in a few days, though, indeed, I incline to think that that opinion has been already given by anticipation in my other letters; and the more so, as I see that they are the very points you first started in your letter of the 2nd of August, and which I fondly hoped I had answered. However, I can now answer them, I think, with more *connaissance de cause*.

But, in order to clear the ground, I must ask two questions. 1st—Are the four measures, as I suppose, to be carried out simultaneously? 2nd—What does No. 3 definitely mean? You "open the Mints to the coinage of gold at a rate of 10 rupees to the piece." Does this "piece" mean a sovereign,—so that anybody bringing 480 ounces of standard gold to the Mint would, as in this country, receive it back in the form of 1869 sovereigns? Or do you mean to take what I may assume for the moment to be the in-

trinsic value of the rupee as your basis, 1*s.* 8*d.*, and give him gold pieces worth 16*s.* 8*d.* each—*i.e.*, about 2,243 pieces for his 480 ounces? Or would it be some average between the two. It makes no difference to the course of the argument, but it may simplify its terms, if I know what No. 3 does exactly mean.

Don't be in a hurry about your letter.

Yours truly,

H. H. GIBBS.

P.S.—By the bye, I see I have in some degree fallen into the vice to which I have referred above. Have you my letter or letters written before August 2. I have no copy of them, and should like to refer.

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From SIR L. MALLET to MR. H. H. GIBBS.

India Office,
11*th October*, 1876.

My dear Gibbs,—

I am afraid that I must plead guilty to the vice with which you charge me in the present case, and daresay that you are quite right in your recollection of my previous letter, which was written very hurriedly.

But I gathered from your letter of the 4th October that you thought that, in proposing a gold standard, I also proposed a gold currency, which, under present circumstances, is of course impossible in India.

In answer to your questions of to-day, I will ask you to assume, but only for the sake of the argument, that it is proposed to adopt your first method, viz. to give 1869 sovereigns to anyone bringing 480 ounces of standard gold to the Mint, and that the four measures are to be simultaneous.

I enclose my paper, which is not intended to be anything more than a contribution to the study of this question. I shall be greatly obliged by any criticisms, and am quite prepared to believe that I may be altogether wrong; but I have never yet been able to satisfy myself that the objections urged by our authorities here are sufficient.

I return your former letters, and am,

Ever truly yours,

LOUIS MALLET.

P.S.—I am sorry to say that I cannot put my hand on any letters of yours previous to August 2nd.

I have four—August 3rd and 16th, October 4th and 10th. I hope to find them when I get home.

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From SIR L. MALLET to MR. H. H. GIBBS.

India Office,
*October*, 1876.

My dear Gibbs,—

The general outline of the measures which might be adopted with a view to a gold standard in India seems to me to be as follows:—

1. The limitation of the silver currency, by the total or partial closing of the Mints for the coinage of silver at the discretion of Government.

2. The declaration of gold as a legal tender and standard of value, but for the present not demandable.

3. The opening of the Mints for the coinage of gold coins of 15, 10, and 5 rupees, at any rate which may be determined, unless it were thought preferable to commence the experiment by simply declaring the sovereign legal tender at such rates.

4. The prohibition to import rupees into British India, except in certain limited amounts by private persons, with a corresponding modification of the paper currency law.

There is one point in this scheme which requires careful consideration, viz., the amount of the artificial value which it will be desirable to give to the rupee in fixing the gold standard.

On the one hand, the higher the artificial value, the greater the risk of failure in the proposed policy; and, on the other, the lower such value, the smaller will be the advantage to be derived from that policy, if successful.

But it seems clear that any measure which materially depreciated the existing standard of value would be inequitable and injurious. So that, in determining the value of the gold coin which is to serve as the unit in the future currency of India, the aim should be to keep as nearly as possible to the average value of the number of rupees which it represents during recent years. Colonel Smith strongly advocates the rate of 2*s.* the rupee, and no doubt, if this is possible with reference to the preceding considerations, the advantages will be most important. It must be recollected, in support of this view, as shown in para. 32, that the average rate at which Council Bills have been sold during the last six years has been about 1*s.* 11*d.* per rupee, and that, when the constant tendency to depression in the exchange is taken into account, it is not unreasonable to assume that a rate of 2*s.* may fairly represent the relation of the rupee to general commodities during that period.

The following are the chief objections which have been urged against this policy:—

1. The risk of illicit coinage.

I fully admit that this is a very plausible objection, but its importance diminishes on a close examination.

In the first place, this danger has not hitherto proved an obstacle in Europe to systems in which the current value of the silver coinage has been much higher than its intrinsic value.

The shilling in England is only worth, at the present price of bar silver, about $9\frac{1}{4}d.$ The five-franc piece in France and in the Latin Union about $40d.$, its nominal value being $48d.$ All the practical authorities whom I have consulted in England, including the best-informed officers of the Treasury and the Mint, M. Léon Say in a recent speech, and all the men of Anglo-Indian experience (except, I am bound to say, Mr. Hynes, of the Bombay Mint), attach little importance to this difficulty.

Certainly, if there ever was a country in which this risk would be reduced to the minimum it is India. Illicit coin could only be supplied by internal fabrication, or by importation from abroad. Having secured the co-operation of the Native Mints, which is of course necessary and feasible, I am assured that there is not the slightest chance of any Native manufacture on a scale sufficient to endanger the experiment under consideration, and as regards importations from abroad, it is difficult to believe that, with practically only three or four ports, our Customs administration could fail in detecting the systematic introduction of foreign-made coins, and it must be recollected that it is only on the assumption that illicit coins can be added to the currency on a very large scale that the question becomes of importance.

I do not therefore apprehend much danger from the introduction of illicit coins. There is a greater risk of the addition to the currency of India of the rupees now hoarded,

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and which might be drawn into circulation if there were any *great difference in the intrinsic and current value of the coin.*

But the determination of Government to maintain the value of the rupee would of itself tend to check this process, and as there would be nothing to tempt a large operator in such a transaction, I doubt whether, with such a population as that of India, the mere apprehension of a possible future loss would go for much.

But even granting, for the sake of argument, that after two or three years, during which silver had remained at its present or fallen to a lower level, a sufficient quantity of illicit coin or hoarded rupees had been introduced into the currency to depreciate the rupee, how would our position be worse than that which is assumed by the objectors to be our inevitable fate, if matters are left to take their course? Even from this point of view, I would say, our position may be better, and it cannot be worse. Is there not a strange inconsistency in telling us, in the same breath, that the effects of our policy will be portentous, and that it will be inoperative and abortive? Yet this last is the very worst that can happen so far as India is concerned.

2. The injury to the export trade.

The readers of the foregoing remarks will have seen that the whole force of this objection rests upon the opinion that this trade will be stimulated by the low value of silver. Unless I have succeeded in proving the fallacy of this opinion, I have written to no purpose, for to do this has been the main object of the present paper. If I am right, the present condition of things, instead of stimulating the export trade, must operate to keep it in a state of confusion and stagnation, by stopping public works and drying up the source of the national wealth.

For it must never be forgotton that in India, whatever cripples the resources of the Government, at the same time

paralyses the course of industrial progress. Private enterprise on the part of the Natives can hardly be said to exist. The whole tendency of recent years has been more and more to concentrate in the hands of the Government all undertakings which in happier countries are left to the wholesome action of private capital, and wherever Government steps in private enterprise withdraws or stands aloof, with an intuitive dread of the competition of a jealous bureaucracy.

There is little hope, therefore, for the export trade so long as the Government expenditure on public works is withheld from reproductive works.

It is true that, if a gold standard were to regulate value in India, and silver remained at its present depreciation, or, as a consequence of that measure, fell even to a lower point, an advantage would for the time be given to countries with a silver currency in competition with Indian exports, but, as these countries are not in the abnormal condition of India as regards tribute, the effect would be transient and temporary, and would cease in a very few months by a rectification of exchange. The effect on the opium revenue is often adduced as a serious difficulty, but admitting that, with a still further fall in silver, the exchange would be turned for a time heavily against India in her trade with China, it is not probable that such a state of things could last long enough to stimulate Chinese production, and supersede the ultimate supply from Bengal. It may also be observed that the Chinese opium crop this year has been a bad one, so that the moment is favourable for encountering this risk.

3. The adoption of a gold standard without making gold demandable for silver.

I fully admit that such a measure infringes the theoretic principles of a sound currency system. To declare a gold standard without at the same time enabling the holder of rupees to exchange them for gold is a somewhat arbitrary and artificial proceeding.

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But, if it be attended with no practical inconvenience, this theoretic objection ought not, I think, to be allowed to stand in the way of a measure which in a great national emergency would confer an important advantage on the community.

If 10 rupees are steadily kept at the value of the gold coin which represents them, no one can suffer loss by being precluded from exchanging them for it, and as the people of India have not been accustomed to a gold coinage, they will be slow to feel the want of it.

The important question is, whether gold can be made to serve the only purpose for which, with a gold standard, it will be really necessary in India, viz., as the regulator of value in its foreign trade.

It is clear that, under present circumstances, India does not require gold to send abroad; on the contrary, with the balance of trade always more or less in her favour, if she possessed a gold standard, gold would go to India as silver now goes, and as the conditions of her export trade improved by improved means of communication, and of the other instruments of production which would be a consequence of financial prosperity, this balance would year by year increase.

If ever the day should come, on the other hand, in which the course of trade should so far change as to reduce the balance below the amount of the home remittance, the case would be met, not by remittances in gold from India, but by diminished imports of merchandise, through the process described in para. 26. On the whole, therefore, whatever gold goes to India will stay there, and will not return when the course of exchange is reversed. The process described in para. 26 will commence. Increased exports from England to India mean a fall in the price of bills, and among them Council Bills. The additional demand on the Calcutta Treasury must be met by increased demands on the tax-payer. Prices will not rise, nor will the price of gold fall, and the exchange will be righted by a diminution in the importation of goods by India, and not by an exportation of gold.

Thus would a gold currency be slowly, perhaps, but surely supplied.

The growth of prosperity, and the steady increase of the demand for currency with increased transactions and new fields of employment, cannot, I think, be doubted if peace be maintained, and the finances placed on a secure foundation. I am unable, therefore, to see how the flow of gold could be arrested if the present artificial obstacle to its introduction were removed. In the competition of the world's market for gold, India would possess an exceptional advantage, and would secure her full share in the supply.

4. Competition of Native Mints.

It has been suggested that, whatever restrictions might be imposed on the coinage of silver in their own Mints, the Government of India could not control the Native Mints, of which there are said to be no less than 60 within and adjoining British territory, and that silver coins issued *ad libitum* from these Mints would displace and depreciate the value of the British rupee.

But this could only happen in the case of coins which were accepted as legal tender in British India, for otherwise they could only circulate in such territory at their intrinsic value, and could not take the place of the rupee, while Sir W. Muir seems to have overlooked the fact that, as regards all Native States, whose coins are admitted as legal tender in British India, the Government of India has not only made the condition that all such coins shall be coined exclusively at the British Indian Mints, and that such States shall abstain for 30 years from all coinage in their own Mints, but has moreover reserved to itself, by sec. 7 of Act No. IX. of 1876, the power of fixing from time to time the maximum number of any coins of any particular metal to be so coined, with reference to the reasonable requirements of the population of the State concerned.

At the present time only two Native States, Indore and

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Ulwur, I believe, have accepted these conditions, and, as regards the first, the limit has been fixed at 25 lacs a year, so that I am unable to understand the apprehensions upon this branch of the subject.

In the foregoing remarks I have treated the question under discussion from a somewhat abstract point of view. I believe it to be perfectly useless to attempt to arrive at any sound conclusion on a matter of practical policy without having, in the first instance, thoroughly examined the abstract principles upon which such a policy can alone safely proceed, but I am of course quite aware that my conclusions are liable to very large qualifications derived from the consideration of incidents and operations which are altogether outside the province of scientific speculation.

Still, in the main, I believe that in the long run the general principles which I have endeavoured to explain will assert themselves, and that the general tendencies of the trade will be in the direction which I have indicated.

These are the principal objections which, so far as I am aware, have been raised to the adoption of a gold standard in India under present circumstances. It is very probable that, in a matter so complex, and which affects so many important interests, others may be urged with which I am unacquainted, and which may require further consideration, but, so far as my present information goes, I cannot resist the conclusion that the general policy which I have indicated promises great advantages and offers little serious risks.

I am,

Yours very truly,

LOUIS MALLET.

From MR. H. H. GIBBS to SIR L. MALLET.

Bank of England,
*23rd October,* 1876.

My dear Mallet,—

After much delay, I have to answer your letters of the 6th and 11th instant, the first of which I acknowledged in mine of the 10th, since when I have received also the proof of your memorandum on the whole subject, and a letter embodying such parts of the memorandum as apply directly to our present subject.

My letter, however, will be nearly confined to the consideration of the four measures referred to in that letter and in yours of the 6th, in which measures, I perceive, by your printed memorandum, that you have some faith.

My letter will be confined to those measures, because, though I have tried very hard, I cannot succeed in fully mastering your paper; we are looking at the question from different points of view, and are speaking a different language; and, for my life, I cannot place myself at your point of view, and consequently I fail to understand your language.

Your first paragraph I quite understand; and so I do your second; but your third contains a most astonishing statement, viz., that India sends to England every year £20,000,000 in produce, with no commercial equivalent; and all the errors, as they seem to me, of the succeeding paragraphs hang on this one. In your fourth paragraph, again, you speak of British rule. British rule seems to me to have no more to do with the question than Papal supremacy or Bulgarian atrocities. Whoever the rulers of India, the cost of government must be paid; and I don't know that the cost of government is greater where it is British than where it is Mohammedan or Hindoo, except in proportion as it is better; and that besides governing, it im-

proves and fosters the productive powers of the country which it governs.

How can you suppose that India continually loses on her foreign trade? You say justly that no trader continues to trade at a loss; yet you imagine that India has traded at a loss for a long series of years! When you say India, whom do you mean? It is not the producer who does so; for he gets a market for his produce which would not exist but for the foreign trade of his country, and it is the producer on whom, in the long run, all burdens fall.

The vice of your whole argument is that you identify payment with loss, and imagine that because the Indian tax-payer sends, as you think, £20,000,000 to England, he loses that sum: why, £15,000,000 of it—the home charges—are, in very great part, merely payment of interest for loans of money raised here and remitted to, and expended in and for the benefit of, India, and are no more a loss than is the £50 a-year paid me by a man to whom I have lent £1,000 to set him up in a business, wherein he earns ten times as much. Then the private remittances: I suppose you refer to remittances of merchants, native or foreign, for investment in England, or to remittances of savings,—how are they a loss to India? Suppose a merchant to send out £100,000 worth of cotton goods. They are sold in Calcutta, and with the proceeds—say, £110,000—he orders the purchase of Indian produce: this produce, when it arrives in England, is sold for £120,000,—In what sense is either the £20,000 or £10,000 gain a loss to India?

Then your table of imports and exports seems wholly fallacious; for not to mention that, to be correct, it should state where your values are taken, in India or England, it begins at an arbitrary time which distorts it. Begin at the year in which the first remittances of money and material were made for the Indian railways, and you will see where the balance lies.

Before you send your paper to Lord Salisbury, I think you will do well to consult some one thoroughly

acquainted not only with finance in general, but with Indian trade in particular. I have but a very imperfect acquaintance with the last; and, besides, I have not nearly time enough to get up the whole range of questions on which your paper touches, and to remark upon the many points on which I should be at odds with you upon them.

I will remark on one other word of yours, paragraph 21, and onwards, which to my mind shows a misapprehension in yours.

I mean "tribute." Tribute is paid by one country to another as an acknowledgment of subjection, and without equivalent. I know of nothing of the kind in India; but if there is, to whom is it paid? Is it the interest of debt you mean?—or the wages of the officials, civil or military? But they are for the service of the country, and are no more a tribute than the wages of my cook are: she may be a bad one, but the money is hers: it is a debt, not a tribute.

Coming to No. 56, you know I wrote a letter to Lord Salisbury, which you probably saw; and in it I gave the causes of the depreciation of silver in the order in which you detail them; but since I wrote I have seen some reason to change my opinion, and to think that the third cause, the depression of trade, and the state of the exchanges which accompanies it, bears the principal share in the work. Think only how the exchanges must be affected by the fact that whereas some years back England was pouring money into India to make its railroads, that in-pouring has now ceased, and remittance hitherward of the interest takes its place. In this I see you agree with me, though you think the cause of the change an unmixed evil, and see no chance of improvement, while I think that so far as it proceeds from the change from payments to, to payments from, India, it proceeds from a good to India, and not from an evil; and so far as it proceeds from depression of trade springing from other causes, I see plenty of hopes of improvement, and you see none.

As to your comment on the increased production of

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silver, where you say that the most sanguine supposition cannot go further than that there will be no increase in the present production,—I say that no one can with confidence suppose anything at all; but from the indications which reach me, I incline to think that the balance of probability is in favour of a diminution. Demonetisation in Germany or elsewhere can only temporarily affect the price so far as the silver it pours on the market does so: lack of demand in those countries which demonetize is a more serious thing.

Now as to the exchanges, I recommend you to read a short letter by my colleague, Thomas Newman Hunt, signed H.,* in the *Economist* of August 5th—*p.* 916; and as to the prospects of Indian trade, a letter to the *Daily News* of the 2nd instant, by my colleague, Robert Wigram Crawford.†

Now for your measures—

1. Limitation of the coinage of silver rupees.
2. Making gold a legal tender.
3. Receiving gold for coinage.
4. Prohibition of the import of rupees.

Of the last there is little to say: if the first is to be effective, it is a necessity; but I think you underrate the difficulties in the way of its execution. As soon as your limitation became irksome, foreign and internal coinage would begin, and you would be unable to prevent it. You may ask, "How is it that it does not take place in France?" I answer, what evidence have you that it does not? And I say that India is not France, but has a very different frontier. Further: we have an example in The Brazils, where the coinage was below its nominal value; the illicit coin grew in the country, and poured in from abroad in myriads.

* See Appendix, *p.* 67. † Idem. *p.* 68.

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Measures 1 and 2 are simply the double standard with a difference. The difference is the limitation. Now, when you have got a gold coinage current among the people, and where all contracts are made on the basis of payment in silver or gold, at the option of the payer, there the harm of limitation is less felt. This is the case in the Latin Union; but France, for instance, has not to export coin to rectify the balance of trade; for the balance is always in her favour in the long run. She exports, and is paid for more than she imports, and pays for. The moment the tide turns the evil would begin to be felt, and the silver part of the currency would cease to be the true measure of value.

? Wrong

In India, silver alone is that measure, and to limit the amount, and, by contracting the currency, increase its value, is really to return to the barbarism of the Plantagenet kings who debased the coin of the realm.

"The contract expressed as well as implied between the Government of this country and the people is that the standard money or legal measure of property and debts shall be coins of gold; that the right and profit of fabricating such coins shall be reserved to the State alone; that it shall be for all time a State monopoly. In consideration of this monopoly, it is conceded to the people to whom these coins, like other weights or measures, are necessary in the transaction of their affairs, that it shall be lawful for any man to carry his gold to the Mint, and require the same to be converted into coins of an equal standard weight with the gold itself. To adopt any new rule of limiting the issue of coined gold so as to give to it an artificial price in excess of that of its metallic contents, and at the same time to retain the law affecting all contracts of property and debts, public or private, would manifestly be an act despotic, impolitic, and unjust."

For "this country" read "India," and for "gold" read "silver," and the above paragraph holds good in the present case.

But you will say—"I provide for a double standard, I

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coin all the gold you bring me, and therefore I *don't* limit the circulation; and the authorities who plead for an *universal* double standard seem to me to have the best of the argument."

Very likely they have: I am inclined to think so. And 86 yrs when universal wisdom shall reign on the earth will be the time to talk of bringing it in; but not till then. One is as hopeless as the other.

Any artificial contraction of the circulation of the country is a fraud on all who have to *pay:* and if you say, "Nature has defrauded all who have to *receive,* and it is the business of the Government to adjust the difference equitably,"—I answer, that it *would* be their business if they could *do* it equitably, but that it is, in the nature of things, impossible. How would the action of the Government affect contracts made *since* the fall in price? There could have been no fraud on the creditor in *them,* and you yet defraud the debtor by forcing him to pay more than his contract bound him to do. "But Nature might have done this," you will say, "and he must have submitted." Yes; but as Government is not Nature, *it* may be made to feel his discontent, which Nature could not.

In short, your proposal is a tampering with the coin of the country; and all tampering with the coin is a breach of contract, is unjust, unwise, and, above all, impolitic. It is also inoperative for good.

Here is the long and short of the matter:—India has borrowed large sums for making her roads and other improvements, and, like other countries, for the purposes of defensive and other wars. She may have spent these sums ill, or she may not; that is not now the question. She has got to pay the interest of those borrowed moneys, as well as her other expenditure, out of her income; or else she must borrow new money with which to do it.

Assume the former alternative.

There is only one person who in the long run pays, and only two ways in which he can pay.

That person is the producer; and the more he produces, and the less it costs him to produce it, the easier can he pay.

Of the two ways of paying, one is by open taxation; the other is by some conjuring trick which shall get the money out of his pocket, and make him think that it has been gotten from somewhere else. The money has got to *come.*

I am not sufficiently conversant with India to know whether all or how much of the expended money has been productively expended; but I do know that the railways are productive, and that so much of the £15,000,000 remitted here as comes out of the railways is not obtained by taxation, but is a mere handing over of money received. *It* also comes out of produce, for it is the producer who pays the fares. Why does he pay them? Because for every rupee he pays in them he gets two in the enhanced value of his land.

I will come presently to say which is the best of the two ways; and now for *yours.*

And, first, what is it you mean to do by it?—and, secondly, by what steps would your measures effect your object?

As to the first question: you enhance in India the value of the rupee; you increase its purchasing power. In one of your former letters you doubted whether the fall in silver had diminished its purchasing power. I showed you that in the case of all imports it obviously had; and I may now add that it is equally obvious that it has done so in the case of all exports: *e.g.,* if I wish to order 1,000 tons of rice, I am able to give more rupees for it than I could before, because £1,000 here will buy 12,000 rupees in India, instead of 10,000 as heretofore; and if I don't do it others will, so that I am not only *able,* but *obliged,* to give more. In other words, my 10,000 rupees will purchase less.

In like manner your limitation, if it does anything, increases the purchasing power. 10,000 rupees will buy what 12,000 would before: £1,000 will be given for the same quantity of rice, for the value of rice has not altered here [*cæteris paribus,* I mean: I speak only of the effects

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of your plan], but the merchant will only get 10,000 rupees for it. In other words, the exchange will have risen; for if it did not, the Government could have the produce sent home, paying 10,000 rupees for it.

> I see, by the bye, that you say in your paragraph 62, you wish the Government would send home document bills, but that it would only be a palliative.
>
> I don't see that it would be a palliative at all: there is no difference whatever in principle in the long run between—
>
> 1. Drawing for sterling from this side;
> 2. Buying sterling bills in India with documents attached, for remittance; and
> 3. Remitting produce home; except that the first is better than the second, and the second than the third, in proportion as each is less speculative: all are in their essence remittances of produce. Good

To return: you would have gained your end, then; raised the exchange, and got the full tale of your money, without having had to raise more rupees by taxation. But you would have done it at the cost of vexatious and injurious contraction of the circulation.

But you may think—"He has forgotten the main ingredient in my medicine, the very panacea which is to cure all ills: we declare gold a legal tender, and open our Mints for its coinage, at 10 rupees to the pound sterling. The Government has only to buy gold, which he admits will be purchasable, like anything else in India, with the appreciated rupee, and so no one will be injured."

But whence, and how will you get the gold? If there were already a gold coinage, as in France, the evil might not be so great; your limited silver, when it became contracted to the full extent, would only be exactly in the

position of a limited inconvertible paper currency, performing useful functions at home, and its difference from silver, as to its uselessness abroad, being only a matter of degree.

That leads me to the second question: what are the steps by which your revolution would march?

We may discard the phrase *limitation* of the coinage, and substitute *cessation.* The difference between them is only one of *time:* not that the action of the one is in itself more rapid than that of the other; but though its end is accomplished quicker, that is because the space to be traversed is less, not because the speed is greater.

You cease, then, to coin rupees, and at the same time promulgate your other measures. There are, at this moment, rupees enough in India, and your enactments would be, so long as that state of things lasted, a dead letter. As time went on—time during which the exchange and the price of silver would vary 10,000 times, and before the end of which it would have reached its old price again, and so your measure would be aimless—wear and tear, and increase of transactions, *if there were such increase*, would contract the circulating medium, and that contraction would cause a never-ceasing annoyance to trade, and an ever-increasing discontent in all classes; but no man would buy an ounce of gold to send it for coinage to your idle Mint, until the annoyance had reached the point of lowering prices so far that one could buy £1 worth of produce for 10 rupees, when he would be able to send his produce to England and have gold sent out without present loss. But the loss would have been all along falling on him or some one else—on India, in short; the Government would have abdicated one of its functions, which is the preservation of the circulating medium for its subjects at its standard fineness and fulness, without depravation of any kind, and would have forced its subjects to provide a new medium for themselves at their own loss, and to their very great discontent, and with no commensurate advantage to anybody.

*Mr. H. H. Gibbs.*

I have said before, and repeat now, a uniform medium of exchange, and even a uniform coinage, is an advantage to commerce, though it will not prevent continual fluctuations in exchange; but the change which shall produce it is a very costly one, and if the Government are enamoured of it for its own sake, and not from a deluded belief that it will somehow relieve the present distress, they must do it themselves in the only honest way, accumulate gold as the German Government has done, and give everybody £1 for his 10 rupees till they are tired of it: they must wait, not till the exchange is at 2*s.*—it is trade and public expenditure which should regulate that—but till the intrinsic value of the rupee is so near 2*s.* that their loss on the operation will be the less.

To provide India with gold will be no easy matter, whoever undertakes it, though I see you think the peculiar character of the exchanges will render it so; and if, as you thought, the exports had exceeded the imports—including treasure—during a great number of years, a huge balance would be *owing* to India, and would have to be sent some way or another: but the balance is obviously the other way, and remittances must come hither in meal or in malt.

But if you could succeed in providing India with gold, you would effect two other things as well: you would proportionally lower the price of silver throughout the world; first, by throwing your stock upon the market, and, secondly, by the cessation of the demand for coinage: and also you would create an enormous disturbance in the money arrangements of any country which, as England does, makes gold the basis of its circulation.

As to throwing the stock of silver on the market you will say, "Not so; we shall retain it. We shall have a double standard." Now, a double standard, as I have before said, is a delusion so long as there is a country in the world which, Impor
not having a double standard, is a market for either metal, tant
and to which one can send the dearest of the two; but your limitation makes a difference. So soon as you have got your

gold, it will be the gold, and the gold alone, which is the real measure of value. The silver, as above-said, is only an issue of inconvertible notes made of silver instead of paper.

On the whole, this is what I have to say: India is passing through a period of unfavourable exchange. She has to pay more than she receives, and has therefore to give more of her money for her remittances. The money which she borrowed, and for which she has to pay, has been on the whole well spent, is developing her resources, and is helping by its returns to pay her debt.

There are three ways of meeting her difficulty in doing so: one, *taxation*, of which the difficulties, especially in the case of India, are obvious; but it is honest, straightforward, and falls on everyone alike. Another, tampering with the circulation, which is fraudulent, deceptive, and has the vice of falling upon one class only.

The third, and only true way of meeting the difficulty, is that pointed out by you in your 31st paragraph—"*she must produce more, and consume less; must gain more, and spend less.*"

Let her do this, and a short time will rectify the exchanges, and the "bugbear" of the depreciation of silver will hide its head, and be no more seen, as did, in our own day, the "bugbear" of the depreciation of *gold*.

I am not in the least indolent in the matter. It is not that sort of feeling which makes me advocate a do-nothing policy. But I see plainly that the things proposed to be done are unjust, mischievous, and impolitic, and inoperative for good to anybody.

Let me recommend you a short pamphlet, called "The Silver Dilemma," sent me by a Mr. John Matheson, of Glasgow. I will finish my letter by borrowing his last paragraph:—

> "The whole question is essentially fraught with uncertainty. I cannot but think, however, that the more thoroughly we grasp it, the more clearly do

*Mr. H. H. Gibbs.*

we perceive the domination of those great natural laws, to tamper with which were to produce 'confusion worse confounded,' and to the operation of which we may reasonably look for relief from our present emergency, *if we will only let them alone.*"

I remain,
My dear Mallet,
Sincerely yours,
HENRY H. GIBBS.

*October* 24.—Since writing the above, I have read the resolution of the Indian Government, and I am glad to see that their action is substantially the same as I should have desired; and their reasons very much what I have given above.

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From SIR L. MALLET to MR. H. H. GIBBS.

India Office,
28*th October*, 1876.

Dear Gibbs,—

Very many thanks for your letter. It is difficult for me to get a quiet hour to rejoin, and I really feel some delicacy in entangling you in a controversy. However, you are in no way bound to answer; and there are several points in your letter which I have much to say about.

. . . . .

Who do you consider an authority on finance in general, and Indian trade in particular? I should like Mr. Crawford's opinion very much. I rather thought that he leant towards a gold standard.

Goschen and Bagehot are, to my mind, perhaps the highest authorities on such a matter, and I shall, I hope, elicit from them a consolatory reply—by which I mean, a

better vindication than they have yet put forward of "*laissez faire*"—a conclusion which all rightly constituted minds must ardently desire.

As to statistics, I wish you could turn to page 170 of Goschen's Report, where you will see that in twenty years there has been an excess of exports of £138,000,000.

Ever yours,

LOUIS MALLET.

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FROM MR. H. H. GIBBS TO SIR L. MALLET.

BANK OF ENGLAND,
*30th October*, 1876.

MY DEAR MALLET,—

I shall be very glad to see your other letter when it comes. As to answering it, that must be as the Fates decree, for my time is not my own, and I have but little of it. Before you do write, I much recommend your consulting some discreet and learned persons of the sort to which I referred in my last. Goschen and Bagehot will be excellent advisers, and so, especially, would Lord Halifax; and if you can consult all three of them, so much the better. But even from them you will not get the help that an intimate acquaintance with Indian trade would enable your adviser to afford you, and I much recommend your talking the matter over with Mr. Crawford, who would, I am sure, be glad to help you to come to a right conclusion.

"Talk," I say, rather than "write," because more can be said in an hour than written in a week; and when you have talked, you can put the result in black and white.

Make up your mind what your excess of exports *means*. Does it take into account the adjustment of the balance of trade, between India and England, in the dealings of India with other countries—Australia, China, and the United States, all of them adjusted in great part by Bills on England? Of course it does not; it is quite

impossible that it should. Therefore, for your purpose, it is fallacious.

Some of my colleagues would like me to put this, our correspondence, into print—for their information, of course, not for publication; and if I do, I should like to send a copy to Lord Salisbury, who consulted me on the Silver Question. I presume you have no objection; but I wish to know if I may include your memorandum—showing it, of course, to be only an uncorrected proof.

. . . . .

Truly yours,

HENRY H. GIBBS.

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From SIR L. MALLET to MR. H. H. GIBBS.

India Office,
31*st October*, 1876.

My dear Gibbs,—

I really hardly know what I wrote to you in the earlier part of our correspondence, but I know that they were hurried notes written against time, and without the slightest intention of opening a serious discussion. As to the memorandum, my paper was intended merely to state difficulties which had occurred to me, and which I have never seen answered—and thus to invite discussion.

I hope that I may thus collect a body of useful opinion which, although of no use under present circumstances (for the screw is taken off for the present), may be so at some future time, unless your anticipations as to a decline in the production of silver are verified.

As to your question about Bills. It seems to me that whatever the amount of these may be, the final expression

of the Foreign Trade of a country must be its imports and exports—including treasure.

I should be very glad to talk to Mr. Crawford; but I fear that in a question of this kind, which can only be solved by the most abstruse abstract reasoning, combined with practical knowledge, it is hardly possible to do more than skirmish in conversation. As regards practical opinions, I have, during the past summer, seen a constant succession of people engaged and interested in Indian trade, and found in most cases a strong disposition towards some such measure as that of which I have sketched the outlines.

What I chiefly wish answered is:

How would the adoption of such a measure be fraught with greater permanent evil now than would have arisen if a gold standard had been adopted in India before the recent disturbance in the relative value of gold and silver?—a course which I do not imagine you would have condemned in principle. If so, I am afraid that we must part company on this question, for I regard the assimilation of the standard between England and India as a cardinal point in the future of Indian finance.

. . . . .

I will let you see Bagehot's reply; Goschen, I fear, is still in the land of Egypt.

Ever yours,

LOUIS MALLET.

From SIR L. MALLET to MR. H. H. GIBBS.

India Office.
*2nd November*, 1876.

My dear Gibbs,—

We are so pestered in this office by premature and indiscreet newspaper notices that one is obliged to be extra cautious. The *Pioneer* (an Indian paper) announces an early publication on silver by me, in India.

Now, as you will have perceived, the whole tone of the document is what I may call "domestic." It was meant for this house, and any friends and authorities outside whom one could trust.

. . . . .

This is in reply to your question yesterday.

I hope to offer a few remarks on your vigorous and racy letter in a day or two, but have been at work for Lord Derby.

Ever truly yours,

LOUIS MALLET.

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From MR. H. H. GIBBS to SIR L. MALLET.

Bank of England,
*November 7th*, 1876.

My dear Mallet,—

I have your letters of the 31st October and 2nd instant, and before I get your reply to mine, I will write a few words in answer to them.

First, I think you are right not to wish your "domestic" treatise to be printed, and so possibly get into other hands. As to your letters, it is different, as they commit you to

nothing: I have them all clearly copied, and, if you like, I will send them to you to refresh your memory, and then you can tell me whether you have any objection to my printing them for *our* domestic use here.

I *have* referred to page 170 of Goschen's Report; and it only serves to show me what dangerous weapons figures are. You say that page shows that the exports from India have exceeded the imports by £138,000,000, and you include in this sum £113,000,000 of money procured here by the drafts of the Indian Council. But you have forgotten, I think, to consider *what becomes of those drafts.* The merchants who buy them don't use them to paper their walls! They remit them to India; so your £113,000,000 must belong to both sides of the equation, and the surplus of exports over imports be reduced to £25,000,000, or £1,200,000 a year. But twenty years is not a fair criterion, inasmuch as the expenditure for Indian Railways began in 1850, and that will have doubtless turned the balance the other way.

But if you consider it you will see that your figures are self-condemnatory. Could it be *possible* that the Indian producer had sent away £138,000,000 in twenty years, without receiving *any payment whatever?* Wholly impossible: so that, even without further inquiry, I would venture to reject your figures.

But even if there were not the certainty of the balance being rectified by your going back five years earlier, and if there were a balance of exports, the causes to which I have referred in my former letter are enough to account for it, without supposing any loss to India, or Indian producers. It is no loss to India if any of her population, native or otherwise, invest their savings in European securities; no loss if the wages of part of her soldiers are placed at their disposal here, instead of being directly paid to them there.

I omitted to add two words to an argument in my long letter of the 23rd October, which I mention now, in case their omission should chance to mislead you into "slaying a giant" which does not exist either in my letter or in my mind.

*Mr. H. H. Gibbs.*

In a paragraph beginning "In like manner"—about one-third through the letter—I say "the value of rice has not altered here." I ought to have added that I meant to argue "*cæteris paribus*"—taking *only* into account your proposed limitation of the rupee.

I may say, however, that I conceded too easily that your limiting the coinage would raise the exchange to the extent you suppose. The appreciation of the rupee would, I apprehend, check exports; and thus, diminishing the demand for Bills, would counteract in some degree the rise in the exchange.

In yours of the 31st, you ask "How would the adoption of such a measure be fraught with greater permanent evil now, than would have arisen had a gold standard been adopted before the recent disturbance?" &c. I have answered this before. *If you had a gold standard*, you *could not* do what you would now do by limiting the coin of that metal, silver, which is the sole standard at present in India.

Nor do I speak of permanent evil. There *is*, I think, *some* permanent evil in a double standard, and there is some positive good in a gold standard, and some also in having the same standard here and there. What I speak of is the inevitable evil, both to India and England, of the *process* you propose.

To have a gold standard here and there is good in theory, and when gotten will be probably good in practice; but that it should be a cardinal point in the future of India, I dispute. What will it do (beyond the mischiefs to which I pointed in my letter of the 23rd)? Prevent fluctuations in the exchange? Not it; except to the limited extent in which the depreciation of silver is a cause rather than a symptom of the present malady.

I think the vice of your paper is, that it mixes up two things which have no necessary connection, and propounds, as remedies for both, measures which would only affect one.

A great part of your paper is occupied with what you consider the lamentable outcome of Indian foreign trade, and the degree in which India is oppressed by the heavy burden of British Rule; but your remedies are addressed to one thing only: the evil, so far as it is an evil, of the Indian Government having to receive its taxes in silver rupees, and pay its creditors their interest in gold sovereigns. Your physic will not help the last, and certainly not the first, and will be as unpalatable as physic usually is.

Yours truly,

HENRY H. GIBBS.

Take as a comment upon the vaticinations of those who tell you that silver is going to 2*s.* 6*d.* an ounce, owing to the huge discoveries in America, the fact that £200,000 worth was bought *here* yesterday for the American Government, and that they are expected to send for more!

I suppose you could not find my first letter (about July 31 or August 1)?

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FROM SIR L. MALLET TO MR. H. H. GIBBS.

INDIA OFFICE,
*6th November*, 1876.

MY DEAR GIBBS,—

As you very truly say, the real questions to which it is important to direct attention in discussing my memo. are those involved in the four measures to which I refer at its close.

The preliminary reasoning, whether sound or unsound, may be conveniently set aside by those who, like yourself, challenge my statement of facts and are willing to get up their own.

But as you refer to some passages in this preliminary dissertation which have excited your surprise or reprobation, I will briefly advert to them.

First, the statement in paragraph 3, that "India sends annually to England about £20,000,000 without *commercial* equivalent."

All I mean here is, that on the transactions of the year this is the case. Of course, it is open to argument that a commercial equivalent has been received in former years; but this is a question of fact and of political appreciation on which opinions may differ. My own opinion is, that India has to a very limited extent received such equivalent in a purely economical point of view. A very small part of her debt has been incurred for strictly reproductive purposes; and the check given to native enterprise, and to the accumulation and productive application of native capital, by our fiscal system, especially as regards Land Revenue, and by the artificial inducement given to British capital to flow into all kinds of unprofitable channels, is incalculable.

Your argument would justify with greater force (for here, at least, the public works are undertaken by National Governments) the course pursued by Russia, the United States, and many South American States, in raising huge foreign loans for public works; but I have always considered the wisdom and prudence of this course extremely doubtful.

The case (economically) very much resembles that of the absentee landlord. I know very well the old argument that this is no evil; but I cannot accept it. I believe that it is liable to a "*reductio ad absurdum*." If all except the actual producers of a country were to leave it, what sort of a country would this become? The case is worse where, as in India, the State itself is the landlord.

You assume that the English money lent to India has enabled her to earn ten times the interest of the money. If this be so, I have nothing to say, but it is very far from being my opinion.

As to remittances of savings and profits. In England, our savings and profits go, I presume chiefly (at least, I hope so), to an increased employment of labour, and to increased production in our own country, thus adding to

Jevons's savings to be money



the national wealth. In India, the bulk of European savings comes home for investment or expenditure in Europe, and only partially, doubtfully, and indirectly, re-acts on Indian productions.

Secondly, as to the valuation of imports and exports. It is, no doubt, perfectly true that these figures are only approximations: but, in official statements, as they are all we have, one must give them as Goschen gives them in his Report—leaving the well-informed reader to make the necessary qualifications. I will only add, that we believe that owing to the general taxation still foolishly levied on imports and the general exemption of exports, there is a tendency to undervalue the former. In comparing one period with another the probable want of exactness becomes of less importance.

Lastly, as to the word "tribute." I used it in a sense in which we so well understand it at the India Office, that I did not think it necessary to explain; but, of course, your criticism is quite just, if you were led to think that I referred to a political tribute, such as is paid by Java to Holland.

Now with respect to the four proposals. I cannot at all admit that the limitation of the silver coinage (No. 1), accompanied by the introduction of a gold standard with a unit of value (such as a 10-rupee piece) in gold, fixed so as to be the exact equivalent of ten rupees at the time of the measure, is open to the moral objections you urge, or that it can, in any practical sense, be called "tampering with the coinage."

As regards all internal contracts, such a measure would only do what the interest of the whole population dictates—maintain the standard of value unchanged: surely a legitimate object for a Government. But you say that certain contracts in the foreign trade of India, made since the fall in silver, will be disturbed. No doubt this must be so; but this is a very small element in the question, and no act of a Government can now be entirely free from this objection. No one, I suppose, would blame us on moral grounds if we

*Sir L. Mallet.*

raised a gold loan in England, yet this would at once affect injuriously many existing speculators and contractors. The imposition of another ten per cent. on all imports would have a similar effect, yet no one could say that this might not be a perfectly legitimate exercise of sovereign authority.

I cannot, therefore, consider, as you do, that such a measure would be either despotic or unjust: as to impolicy, the case may be different; but I am still very sceptical even here.

You speak of an *artificial* contraction of the currency. I do not propose to contract it, but to prevent it from expanding on a rotten basis; it may expand as much as it likes on gold—by which I do not mean necessarily by means of a gold currency, but by whatever additions may from time to time be required to the silver coinage, with a view of keeping the value of ten rupees exactly equal to the gold 10-rupee coin. Might not this be ensured by the self-acting process of making ten rupees payable on demand at every Treasury, in return for the gold piece?

The danger of an inconvertible currency is that it will be issued in excess, and become depreciated: here the only fear is that it will become appreciated—a danger which may, I should think, be averted by the method I have described. I have no very distinct recollection of the process by which the French Government maintained, on the whole, the value of their note circulation, during and after the late war, but I believe their notes were inconvertible, and the success of the operation is notorious.

With regard to your remarks about railroads: you must recollect after all, that, as a whole, they do not pay the interest of the money borrowed to make them. No one can, therefore, say that this has so far been a profitable investment of public money in an economic sense. There is a loose way of speaking of these things *here*, as if, because the country benefits from railroads, the payment of the interest affords no test of their success. But I know of no other test which any commercial law would apply,

and a Government which conducts commercial enterprises on other than commercial principles is very certain to get into trouble.

As to the producer: you say that he pays the railway fares; because for every rupee he gets two, in the enhanced value of his land. I wish he did; but if he did, it does not follow that he would not have got four rupees if, instead of making a railroad, the Government had spent its borrowed money in more profitable appropriations of public funds; even, perhaps, simply by remitting its taxes on the land, and enabling the producer to improve his estate.

I am not sure that I quite follow your remarks about the methods open to India for the payment of her debt; but I do not think there is any real disagreement between us here. There is no "conjuring" in giving her the same standard as the English: on the contrary, now that the intolerable inconvenience of a different standard has been realized, it seems a thoroughly practical and common-sense proceeding.

You ask what I mean to do by these measures. I want to place India in the position of a country with a gold standard; and I want to know—what will be the difference between the effects of the measure I have indicated, and the effects which would have been produced on Indian interests and Indian trade, if India had possessed a gold standard and *currency* before the recent disturbance in the price of silver?

I suppose, although you do not say so, that the idea is that the measure would turn the balance heavily against India, by checking her export and stimulating her import trade. I cannot but think that this effect, if produced to a serious extent, would soon right itself: for I cannot doubt that there is plenty of gold in India to pay any balance which could not be paid otherwise—of course at a price which would be a temporary blow; but, perhaps, less than the constant uncertainty which has prevailed during the last ten months.

*Sir L. Mallet.*

You say that the balance of trade is obviously against India.

I have before me the last accounts made up by the Government of India, which show that the *net* imports of treasure during the last ten years have been 78 millions sterling, or nearly 8 millions a year. During that time we have borrowed in England 55 millions sterling. Even if this were absolutely to cease (a strong supposition—for in the case of war or famine one knows what would happen), there would be a balance of £23,000,000 in favour of India on the ten years' trade, or of £2,300,000 per annum! I do not know, therefore, why you assume that the balance is obviously against India.

Your next paragraph refers to the effect of these measures on the price of silver throughout the world, and the disturbance in the money markets of England and other countries. I do not see, except from panic, why any such gigantic effect should be produced; but if it were, it is a good reason for the other countries resisting it; but not for India, unless it can be shown that the reflex action of this disturbance would do her more harm than a gold standard would do her good.

I do not know that I need trouble you with any further remarks, except to say that the information which has reached me since I wrote my paper is very much in the sense of your own anticipations with regard to the future supply of silver: the American mines being apparently unequal to meet the American demand.

If this proves correct, for all present purposes our controversy is useless; for the disease, in its acute form, which I desired to cure, will have ceased. There will be, however, I think, the strongest possible argument in favour of the introduction of a gold standard into India, if the two metals recover their former relation; and this can only, I think, be done by the process which I have described. I enclose a letter by Mr. Thornton, our Public Works Secretary,

and well known to you, I daresay, as an Economist, which puts very clearly the case as I understand it.

It is curious that neither the Government of India, nor Goschen, nor Bagehot—who can easily dispose of the proposals with which they deal—entirely abstain from discussing the only proposal which, so far as I know, has ever been entertained, even provisionally, by any of our Indian authorities.

With many apologies for the trouble I have given, and many thanks for the trouble you have taken,

I am,

My dear Gibbs,

Sincerely yours,

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P.S.—I think, in considering Indian questions, people are apt to forget what a small part her foreign trade plays, after all, in her transactions. The foreign trade of India is represented by about 10*s.* per head of population—in England it is £17 !

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From MR. THORNTON to SIR L. MALLET. †

*6th November*, 1876.

Dear Sir Louis,—

Walking home on Saturday, after my talk with you in the morning, I began to doubt whether I had said to you exactly what I intended. Allow me, therefore, to trouble you with it now in writing.

Let, as you propose, Government begin by releasing itself from the obligation to coin whatever silver may be brought to the Mint by private persons, accepting instead the obligation to coin whatever gold is brought. Let it

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* Not signed. † Enclosed in the foregoing letter.

coin, in such quantity as may be deemed adequate, 10, 5, and 2½-rupee pieces, containing respectively precisely the quantities of gold which at this moment would in India exchange for as much silver as is contained in 10, 5, and 2½ silver rupees, and let it then declare silver and gold to be both equally legal tender. How great soever may be the subsequent depreciation of silver *bullion*, Government will then have reserved to itself the power of preventing the value of silver *coin* from ever falling below its initial proportion to the value of gold coin. To secure this, Government will simply have to abstain from coining additional silver as long as ten silver rupees will purchase in the Indian market as much of silver bullion as could be purchased by a 10-rupee gold piece. This they will, of course, do at first starting; because the proposal is, that the 10-rupee gold piece shall contain just as much gold as would at that time exchange for the quantity of silver contained in ten silver rupees, and because, if silver rupees would not purchase at least their own weight of silver, they would at once be melted down and converted into silver bullion. Any given sum in silver rupees would, therefore, at first starting, possess exactly the same purchasing power as the same nominal sum in gold; and, as long as Government refrained from coining more silver, would continue to possess at least the same purchasing power.

Wrong

The danger thenceforward to be guarded against would be that of silver rupees acquiring *more* purchasing power than their nominal equivalents in gold rupee pieces, as they would do if the proportion of commercial exchanges, which could be more conveniently affected by silver than by gold coin, became, for any reason, sensibly larger than before. Whenever this change took place, it would be marked by infallible symptoms. Any one who wanted to get silver change for a 10-rupee gold piece would have to accept, in exchange, somewhat less than ten silver rupees. Debtors would usually prefer paying previously-incurred debts in gold, instead of silver. Dealers offering goods for sale

would demand somewhat higher prices, if paid in gold, than they would be content with, if paid in silver. These symptoms would indicate to Government that the time had arrived for coining additional silver rupees; and this it might continue to do until the symptoms disappeared, without any fear of materially over-coining; for any excessive issue of silver rupees would be immediately corrected by the excess being melted down.

In the event of a complete change hereafter in the character of the circumstances with which we have at present to deal; in the event of the present depreciation of silver, in relation to gold, being succeeded at some future time by a depreciation of gold in relation to silver, Government, by way of precaution against the recurrence of monetary disorder, would simply have to reverse the mode of procedure described above. It would have to withdraw from the public the right to bring gold to the Mint for coinage, permitting it, instead, to bring silver at will; and it would itself have to abstain from coining more gold until the gold 10-rupee piece again became exchangeable in the market for as much silver bullion as could be purchased with ten silver rupees.

In this manner might be established a nearly perfect and almost self-adjusting equilibrium between gold and silver money. How much soever one of the two metals became depreciated, provided only that the depreciation were confined to one of the two, the value of both gold and silver rupees would be maintained as that of the coin formed of the undepreciated metal. India would be placed in possession of a currency of almost impregnable stability, and which could never become suddenly much depreciated in relation to commodities in general, except in the very improbable contingency of both of its constituent metals becoming simultaneously depreciated, in consequence of the simultaneous discovery of both gold and silver mines of extraordinary productiveness. Cernuschi's theory of a bi-metallic currency would then be exhibited in practice

*Mr. Thornton.*

under conditions which would apparently render it perfectly safe and perfectly efficacious.

Believe me, dear Sir Louis,

Yours faithfully,

W. T. THORNTON.

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FROM SIR L. MALLET TO MR. H. H. GIBBS.

INDIA OFFICE,
*8th November*, 1876.

MY DEAR GIBBS,—

I had written the enclosed when yours of yesterday arrived,—so I will send my letter as an answer to your former one, and deal with your present letter separately.

I had not forgotten the remittances, in making up the balance: on the contrary, I describe the effect of the Council Bills at some length in my memo.; showing that the Indian tax-payer makes up to the Indian producer the excess value of exports.

You think that the Indian tax-payer gets a commercial "*quid pro quo*." This has been a constant argument here; but I do not think that it is so: nor do I believe that it is a matter of indifference to a country whether so large a part of its revenue is sent and spent abroad or not.

It is better for a country that its debt should be held at home; that its Government should be paid at home; and that its merchants, lawyers, and bankers, should spend and invest their savings at home.

I never supposed that the Indian *producer* had sent away £138,000,000 in twenty years without any payment whatever. This, as I say on the first page of my paper, is, of course, impossible. The personage who has lost, not the whole, but a great deal of it, is the Indian tax-payer. Indirectly, the producer has suffered by the diversion, at all events primarily, of so much accumulated capital. I

cannot doubt that, whatever may be its other advantages, an alien Government, under such conditions as ours, is an economical evil to a country.

I suppose you are of opinion that the savings and salaries and pensions spent in England are no loss to India, because they create a corresponding demand for Indian produce; but this by no means follows, as it seems to me. No doubt the effect of this excessive exportation from India beats down Indian prices, and, to a certain extent, gives them an advantage in competition with the produce of other countries; but India has only to send more for the same return. If you have time to turn to p. 179, par. 4, in Mill's (last edition) "Principles of Political Economy," you will see his account of the process which is taking place in India, and which I cannot but think correct.

With regard to the question which I put as to the difference between my proposal and a similar one: if we had adopted a gold standard in India prior to the fall in silver, you say that in the latter case we could not have done what is now proposed—viz., limit our silver coinage.

I am afraid that here again there is misunderstanding. A single gold standard has never been proposed for India. We should have had a double standard, and should have been compelled to do what is now proposed, and what the Latin Union is now doing.

You think that my argument mixes up two distinct questions, and that I only propose an ineffectual remedy for one.

I certainly never thought that a common standard would extirpate the chronic vice of our Indian trade; but it is the unnecessary aggravation of this evil which I desire to avert; and this I still think a common standard would accomplish.

Your account of the silver market is very curious. I hear very similar accounts from other quarters. If this goes on, will it not make the parliamentary Report look rather ridiculous? One always felt that there was no solid basis for the most important set of facts in the inquiry.

I shall be much obliged for my old letters, and will then let you know whether there seems to be any objection to their being used for pegs.

I will have a vigorous search made for your first.

Ever truly yours,

LOUIS MALLET.

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FROM MR. H. H. GIBBS TO SIR L. MALLET.

BANK OF ENGLAND,
*November 9th*, 1876.

MY DEAR MALLET,—

I must write a short letter in answer to your long ones received to-day; because I should be getting into deeper water than I should desire, or than I have time to wade through, if I were to answer the many points contained in them. So much of the matter, as it presents itself to you, is concerned with the fact of the British being the lords of India, and with the question of whether the money spent in India has been, or not, advantageously expended, and those are questions so much beyond my scope, that I will give them but few words, and stick to the silver side of the question.

Indeed, I think we may both of us usefully consider that the first *being* a fact, it is not very necessary to discuss it; and that the money *having been* expended, it does not much matter whether wisely or not, except for future guidance. Interest must be paid on Loans, and the expenses of Government both here and there must be met.

A few words here in answer to your letter of the 6th:—

Paragraph 5.—I don't argue that wars (for which some of the expenditure was made) are reproductive; but they *have been* waged, and had to be paid for; and wars would have been made, and would have been paid for, had England not ruled in India.

Paragraph 12.—The limitation of the coinage of rupees, if a gold standard existed, either alone, or along with the silver standard, would not be "tampering with the coinage." It is that limitation of what is the only standard, or measure of value, in order to bring in another, which I so characterise.

Here I will again try to explain my meaning in the words to which you refer in your letter of yesterday, that had you had a gold standard you could not have done what you now propose. I mean that limiting the silver coinage when the people are already provided with a gold money, is not the same thing at all as limiting it when they are not so provided. The effect of it, in the first case, is, as I think I have said before, that the silver becomes practically an inconvertible note-circulation, the notes being made of metal instead of paper. But the *object* of the limitation proposed by you is to force the people to provide the new measure of value themselves, and *that*, for the reasons I have before given, I consider unjust and impolitic.

The same misapprehension occurs in your paragraph 15. Silver *is* the currency; you can't say you don't contract it, because you allow quite another currency to expand—at the expense of the people. Your self-regulating process would not work. You would have to make the rupees and the gold pieces reciprocally payable on demand for one another.

16.—The French Government employed *no* process. The people did it themselves, and were able to do it for reasons I have before mentioned; moreover, they, apparently, hoarded the notes.

19.—There is no conjuring in *giving* her the same standard as the English. No; but there is fraud in the means you propose of making her give it to herself.

22.—Probably I am wrong: I thought you, in your zeal against the foreign trade of India, had so stated it.

12.—I omitted to remark on this: Say you coin your gold piece of 17*s.* (about the present value of 10 rupees), what will you do a twelvemonth later, when the value

is 16*s*. 6*d*. or 17*s*. 6*d*.?—Let it alone? Let it alone now! Of course I mean, if you hope to remedy the present distress by any such measure.

7.—I don't think your absentee parallel holds good. An absentee spends his *rents* out of the country. In India it is chiefly a part of the working expenses which are spent abroad, and some of the workmen remit their wages home. Even as to your question, "What sort of a country would that be where all but the producers leave it?" I say, "Much such a one as that very flourishing island, St. Kitts; all of whose proprietors are absentees."

You do—to come to your letter of the 8th—describe the effect of the Council Bills: but surely you were wrong in including their amount in the surplus of exports over imports.

You cannot practically separate the tax-payer from the producer. Whence does the tax-payer get the money to pay his taxes?—All must come in the long run from the soil.

Thank you for Mr. Thornton's very clear paper. It does not convince me. All he says is true enough *when you have got* your gold currency; what I quarrel with is the means whereby you propose to get it, and the means whereby you propose to maintain it, when the relative value of the two metals changes. That cannot be "self-adjusting" when you have to take such a means to adjust it as so limiting the coinage of the money which has been the basis of contracts that that which is intrinsically worth $x$ shall pass for $x + y$.

I send you the copies, and remain,

Ever yours truly,

HENRY H. GIBBS.

As to your paragraph 24, English Statesmen in charge of India must look to the effect of Indian legislation on England.

From SIR L. MALLET to MR. H. H. GIBBS.

India Office,
10*th November*, 1876.

My dear Gibbs,—

I see no objection to the printing of the correspondence for your domestic use, as it now stands. I have suggested the omission of one or two passages in my letters, which will lead to misunderstanding without further explanation, and do not appear essential in any way to my questions; and I have corrected one or two verbal errors on the part of the copyist.

I quite agree that it is most undesirable to encumber the argument with political considerations, but in some respects the economical argument entirely depends on the political conditions, and I was therefore obliged to refer to them.

It is often objected to views such as mine, that our British rule is more economical than native rule. This I do not dispute; but native rule means, under present circumstances, anarchy and misrule: and we may perhaps fairly assume that India, left to itself, might not be better than Turkey. This objection, therefore, is wholly beside the question. That question is, whether we can maintain the English standard of Government for India, under present financial and economical conditions, with confidence and security?

Ever truly yours,

LOUIS MALLET.

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From MR. H. H. GIBBS to SIR L. MALLET.

Bank of England,
*November* 18*th*, 1876.

My dear Mallet,—

There was one small point on which I meant to have touched in one of my letters, but which I omitted: it does not in the least require an answer.

I said that I had no objection to the introduction of a gold coinage into India, whether singly, or jointly with the existing silver coinage; but only to the *mode* of introduction proposed by you. In neither case will it be a panacea; and the most it will do is to *diminish* the extent but not the number of fluctuations in exchange, and to render the expression of those fluctuations a little more simple.

If a gold currency be *substituted* for a silver one, it must be a forced operation, and the Government (or rather the State), as in Germany, and not the debtor, as in your plan, should bear the cost.

If you have a real double currency—*i.e.*, without limiting the coinage of either metal—and if it be unprovided with Cernuschi's remedy of universality, it would be fallacious; but, *with time*, and when the present relative values changed, a gold coinage would be introduced: and what I now wished to say is, don't think of issuing a gold piece of 10 rupees calculated on the present relative value of gold and silver: you should preserve the identity of the form and value, as well as of the substance, of the money, making the sovereign the coin and money of account of both countries.

Ever yours truly,

HENRY H. GIBBS.

A double standard even if universal w'd be [illegible] a price [illegible] of bullion value

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FROM SIR L. MALLET TO MR. H. H. GIBBS.

INDIA OFFICE,
16*th December*, 1876.

DEAR GIBBS,—

You must be amused at the rapid fulfilment of your predictions about silver, and the utter collapse of the "Silver Question."

It is very unaccountable that all the wiseheads in the commercial world should have been hoaxed, as it now appears they were. I suppose it is something like the case of Argentine Bonds.

Certainly, the report of the Parliamentary Committee looks a little absurd now, and, you will add, the speculations of those who believed in it.

What I regret is the loss of a leverage for a gold currency in India. My chief object, in pressing the matter, was to strike while the iron was hot—knowing that nothing but some great pressure will move Governments to make radical reforms.

I am afraid that, even now, the future course of silver is very uncertain, and thus all foundation for our financial calculations is wanting.

Ever truly yours,

LOUIS MALLET.

# APPENDIX.

## CONTENTS.

## LETTER ON THE FALL OF SILVER BY "H."

[Mr. Thomas Newman Hunt.]

(The Economist, Aug. 5, 1876.—To the Editor.)

Sir,—Why did the rates of exchange in India, and the price of silver in England, rise from 1850 to 1866, and fall from 1866 to 1876?

In 1850, the East India Government adopted 1*s.* 10*d.* as the fair value of a rupee for their railway financial operations.

Between 1850 and 1866, the exchange at Bombay rose from 1*s.* $10\frac{1}{16}$*d.* to 2*s.* $2\frac{1}{2}$*d.* per rupee, equal to $3\frac{1}{16}$*d.* per rupee, and $4\frac{1}{2}$*d.* above the Government value in 1850. Between 1866 and 1876, it has fallen from 2*s.* $2\frac{1}{2}$*d.* to 1*s.* 7*d.*, equal to $7\frac{1}{2}$*d.* per rupee, and 3*d.* below the Government value in 1850. Assuming, therefore, the Government value of 1850 to have been a just one, the exchange has been at one time $4\frac{1}{2}$*d.* above, and at another 3*d.* below the fair average rate.

The value of silver has followed the fluctuations of the Indian exchanges, but not in the same degree. In 1850, the price of silver in England was about $60\frac{1}{8}$*d.*, and rose to $62\frac{3}{8}$*d.* in 1860, and 62*d.* in 1862 and 1866, being considerably less in proportion than the Indian exchanges in the same time. Between 1866 and 1876 the price of silver has fallen from $62\frac{3}{8}$*d.* to about 48*d.*, or 1*s.* $2\frac{3}{8}$*d.* per oz.; but if it had fallen in proportion to the Indian exchange, from 2*s.* $2\frac{1}{2}$*d.* to 1*s.* 7*d.*, it would have fallen 1*s.* $5\frac{1}{2}$*d.* per oz., or 3*d.* lower than it is. It will therefore be seen that silver has not risen or fallen in the same degree as the Indian exchanges.

Between 1850 and 1876, about one hundred millions sterling, or an average of four millions sterling per annum of capital, had to be transferred from England to India, to make the railways there. And, as a natural consequence, the rate of exchange gradually rose first, and then the price of silver.

The railways being completed, and the transmission of money for this purpose having ceased, the rate of exchange would naturally return to about what it was before the

railways were begun—about 1*s.* 10*d.*; but money is now being brought from India to England to pay the interest on the one hundred millions sent out, amounting to about five millions per annum, or one million per annum more than the annual amount transmitted to India during the last twenty-five years. As long as the railway managers were receiving gold in England, and transmitting silver to India, the price of silver rose; now they are receiving silver in India and bringing gold to England, the price of silver falls.

But England has not only ceased supplying India with capital for making railways, but many other foreign countries as well, and requiring their debts now to be paid in gold. Silver, in common with many other articles, is being sold all over the world to procure the gold to pay England; and the result is seen in the large amount of gold rapidly accumulating in the Bank of England.

There is a considerable analogy between the fall in the price of silver and the fall in the price of many foreign stocks. As long as English capital was being transferred to those countries, the price of their stocks rose, and the operation being reversed, the price of their stocks falls. And in many cases they have fallen more than silver.

When English capital is sent to India and foreign countries again, the price of silver may naturally be expected to rise again.

H.

London,
*July* 20, 1876.

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## LETTER FROM MR. CRAWFORD.

(The Daily News, Oct. 2, 1876.—To the Editor.)

Sir,—I wish, with your permission, to illustrate from information which happens at this moment to be at my command, the argument so very well put in a leading article in your issue of Saturday last, that "the present movement

(in the silver markets of the world, and its effects upon exchanges between this country and India) would be neutralised to some extent were the exports of India to England to increase to a considerable extent." I wish also to confirm from recent experiences the opinion you express that "looking to the actual course of trade from India during the last few years, there is not a little to encourage one in the review, for though its exports to England are not, indeed, so valuable as they have been, there is no reason to anticipate that they may not grow, and far exceed the present limit, under the influence of modest taxation and tranquillity." In the case of cotton, I am afraid we cannot look forward to any continuous increase in the quantity supplied by India for European consumption so long as the price of cotton is subordinate, as it must be, to the predominant production of the American States. Indeed, it can hardly be expected that India will be able to maintain her export of cotton at the average of recent years in face of an annual production in America, which assumes now the gigantic proportions of between four-and-a-half and five millions of bales. In this state of things it is fortunate that other agricultural industries are in course of development in India, under circumstances which bid fair—not only to fill any void that may occur in the quantity, and what is more important in the value of the cotton exports, but largely to increase also the present limits of the exportable products of her soil. I refer to two commodities—or rather classes of commodities—grain and oil seeds in particular. The trade of India with other countries in these commodities is of comparatively recent origin. It may be said to have taken its date from the time of the Crimean war, when the supplies of wheat and linseed from the southern provinces of Russia were necessarily much interfered with. The want of complete records in an uniform shape makes it difficult to compile an exact account of the quantities of these commodities shipped from the Indian ports, but I have before me an accurate statement in detail of the exports of wheat, linseed,

and other oil seeds, from Calcutta, for some years past, and sufficient information with regard to the other principal ports, to show that there has been a prodigious extension of the trade during the official years 1875 and 1876.

The exports of seeds and of wheat (exclusive of Bombay, where wheat is stated in the returns under the general head of "grain" until the beginning of the present year) from all the ports of India were:—

| | Seeds. | | Wheat. | |
|---|---|---|---|---|
| In 1872-73 | 136,319 | Tons | 13,134 | Tons |
| 1873-74 | 203,705 | ,, | 50,494 | ,, |
| 1874-75 | 280,500 | ,, | 33,891 | ,, |
| 1875-76 | 482,670 | ,, | 83,936 | ,, |
| 1876-77* | 254,124 | ,, | 107,050 | ,, |

* Four months, to 31st July, estimated.

These results are very striking, and afford abundant proof of the capacity of India to increase her productions. In the year 1875-76, 482,670 tons of seeds of the aggregate value, at 100rs. per ton, of £4,022,050 at the exchange of 1*s.* 8*d.*, were shipped from her ports; and of wheat, not including the shipments from Bombay, 83,936 tons, of the value, at 80rs. per ton, of £559,174; whilst the quantity shipped already, since the 1st April in the current official year, is still more remarkable. Of seeds, £2,117,700; and of wheat, £713,667 in four months. I find no difficulty in explaining the great movement of 1875-76. It may be assigned to the combined operation of more causes than one. It is due, in the first place, to the repeal by Lord Northbrook's Government of the export duties on grain and seeds, under the Act 16 of 1875, so much called in question on other grounds. These duties were—on grain, 3 annas per maund, equal at 1*s.* 8*d.* per rupee to 1*s.* 10½*d.* per quarter of 496 lb.; on linseed, 3 per cent. on a valuation of 5rs. per cwt., equal at 1*s.* 8*d.* per rupee to 11⅓*d.* per quarter of 410 lb.; on other seeds, 3 per cent. on differing

*Mr. R. W. Crawford.*

valuations, representing, at 1*s.* 8*d.*, rates varying from 10$\frac{1}{9}$*d.* to 1*s.* 0$\frac{1}{2}$*d.* per their respective quarters of differing weights. It is due, in the second place, to the wise policy of two railway companies, the East Indian and the Great Indian Peninsula, in reducing their rates of carriage from the principal marts of the interior to the shipping ports, and thus enabling merchants to avail themselves of the repeal of the export duties, which it would not have been in their power to do if the previously existing ordinary rates had been maintained. Thus, the East Indian Railway charge ·187 decimal of a pie per maund per mile, equal, at 1*s.* 8*d.* the rupee, to 6*s.* 3$\frac{3}{4}$*d.* for conveying a quarter of wheat from Cawnpore to Calcutta, 684 miles; and ·202 decimal of a pie per maund per mile, equal to 2*s.* 11*d.*, for conveying a quarter of linseed from Patna to Calcutta, 333 miles. The Great Indian Peninsula Railway Company charge, in like manner, ·203 decimal of a pie per maund per mile, equal to 7*s.* 2$\frac{1}{4}$*d.* per quarter for wheat from Jubblepore to Bombay, 616 miles; and 4*s.* 7$\frac{1}{2}$*d.* per quarter for linseed, from Nagpore to Bombay, 520 miles. I give Sir A. Cotton the full benefit of the water communication by the river Indus, and the canals on the Coromandel coast, which have led to and sustained the exports from Kurrachee and the northern ports. It is due, in the third place, to the depreciation of the rupee. The prices of commodities in India have not risen, as might have been expected, under the ordinary operation of economical laws, and the merchant being able to draw his bills on this country from India, or to remit his money to India from this country on terms of great advantage, has contented himself with a lower selling price for his merchandise, bought in a silver currency. The difference on this account may be put down as 10 per cent. at the least since the beginning of the present year. It is due, lastly, to the great facilities afforded by the establishment of the telegraph, and the opening of the Suez Canal, and in some measure also to the fact that tonnage, both of steam and sailing

vessels, has not been wanting in the Indian ports, and that freights therefore have not been high. Your readers, who may have had the patience to follow me thus far, will form their own conclusions upon the facts thus presented for their consideration. These facts appear to me to justify the opinion that a great step has been already made in the direction of enabling the people of India to remedy, in some degree, the effects of the change in the value of silver upon her commercial interests. The guaranteed railways have done their utmost, and not without success, to extend the beneficial effects of the partial abolition of the duties upon exports. It is for the Government of the country to do the rest—to abolish the few remaining export duties at once, especially the duty upon rice, looking as they may do, I am sure, for compensation to the advantage they will gain from the stimulating impetus such a measure will give to the increasing value of the agricultural produce of the country. The whole subject is full of interest, and might be pursued still further: but I have written enough for the occasion, at all events for the present.

Your obedient servant,

R. W. CRAWFORD.

Old Broad Street,
*Sept.* 29*th*, 1876.

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## THE SILVER QUESTION.

(The Times, November 24, 1876.—From a Correspondent.)

San Francisco,
*November* 6, 1876.

The alarm which was felt regarding the depreciation of silver has in great measure subsided, and it is now evident that the fears that led to a panic were in the main groundless. Yet it is passing strange that the body of London bankers and merchants and the India Office should have

even for a time succumbed to unreasoning dread; because if the City of London, with all its financial genius, accumulated experience, and enormous wealth, is liable to lose its calmness and stability, and to become demoralized at the mere breath of suspicion, what is there to fall back upon to vindicate reason and to arrest recklessness and wild excitement? The Blue Book on the Depreciation of Silver, and the subsequent course of the silver market, show that the dread of some enormous fall in value had but little basis; and now that the panic has passed away, there is nothing in the conditions of the production and consumption of silver to justify any further alarm.

There is no doubt that the Report of Mr. Goschen's Committee has been of very great service in bringing together an immense mass of facts regarding silver, gold, and the foreign exchanges, and the information presented will be of the utmost benefit all over the world. Yet, on the main cause of the depreciation as described in the Report—"the discovery of new silver mines of great richness in the State of Nevada"—the estimate for the year 1876 is exceedingly wide of the mark. Nothing could show more conclusively how untrustworthy the statistics of Government officials frequently are, and how mischievous their miscalculations may be, than the present case. Dr. Linderman, the Director of the United States Mint, estimated the production of silver in the United States for 1876 at $50,000,000; whereas the best authorities here, with the figures to the end of September before them, estimate the amount for the year at $28,000,000. In my letter in *The Times* of August 29, I stated that the year's production would be between $25,000,000 and $30,000,000. The total yield will be about 24,000,000 ounces of fine silver: this being the most accurate form of estimating, as the price during the year has been subject to considerable fluctuations. The loose manner in which in nearly all the statistics of silver here the *doré* bullion—that is, gold and silver in combination—has been classed as silver, has been the chief cause of erroneous

calculations, and now the principal mines are beginning to report the exact amount of silver as distinguished from gold. Sir Hector Hay, in his evidence respecting the United States, replied to Question 26 by saying, "I believe that the production of silver is considerably exaggerated;" and his answer to Question 47 was, "The reason I think so is that the silver has not made its appearance in the market, as far as I can learn." The fact that the large amounts said to have been produced have not appeared on any of the silver markets of the world is most conclusive evidence as to over-estimate.

So that, taking the estimates of the production of silver from the returns of the mines, and from those engaged in the purchase and shipment of silver, the year's production in the United States may be set down at about $28,000,000. There is not the slightest doubt that the silver product of the United States has all along been exaggerated, and those who have access to the best sources of information consider 24,000,000 ounces of fine silver a full estimate, and one, moreover, that, with the amplest knowledge of the prospects of further production, they think is not likely to be exceeded in future from the present known sources. There is, therefore, nothing to warrant expectations of enormous production; and the discovery of new mines of great value is entirely speculative, there being always some slender chance of such a thing, though no more now than at any time in the last twenty-five years. It is evident also that if the present supply is to be kept up for an indefinite period new mines must be discovered to take the place of those now being worked out. Humboldt, in his great work on Mexico, has shown that nearly one-half of the whole gold and silver production of Mexico came from three mining districts, while the remaining half came from about 50 districts comprising about 3,000 mines. So it is in Nevada, the great production has been from the Comstock Lode; all else in that State and the surrounding States has been comparatively insignificant.

*Times Correspondent.*

At the same time there may be additional production from two sources. The Sutro Tunnel, on which about £500,000 has been expended, is now in about three of the four miles from the mouth of the tunnel, near the Carson River, to the Comstock Lode; and as it runs at right angles to all the lodes of which the Comstock is the chief, it may strike some new ledges of value before reaching the Comstock, or after passing through it into Mount Davidson. The great object of this tunnel is to cut the Comstock at a depth of about 1,800 ft., so that the enormous bodies of water that now have to be pumped from that, and even from lower depths, with powerful and very costly machinery, may run off through the tunnel into the Carson River, and may, at the mouth of the tunnel, give ample water for the mills intended to be erected there for the reduction of the ores which it is expected will be run out through the tunnel. It will not reach the Comstock for at least fifteen months yet; but when completed it will be of immense service to the mining interest. Yet, with all its advantages, with the prospect of cutting unknown or undeveloped ledges, and of enabling low grade ores to be worked at a profit that cannot be reduced to advantage at present high cost of mining and milling, the superintendent of the Sutro Tunnel Company makes an estimate of the production of the Comstock at $30,000,000 of silver and gold on an average for the next ten years, the division probably being 55 per cent. of silver and 45 per cent. of gold. One of the most trustworthy papers here—the *Evening Bulletin*—in summing up lately the proportions of silver and gold in the leading Comstock mines, comes to the conclusion that on an average there is 52½ per cent. of silver and 47½ of gold.

The other probable source of increased production is Arizona, which before long will be placed in communication with this city by the Southern Pacific Railway, of which 600 miles of the 715 from this city to the Colorado River at Fort Yuma are completed. The railway, when extended through Arizona, will open up new mining fields at present

too inaccessible to be worked to advantage. Yet, while the States or territories of Nevada, Oregon, Utah, Montana, Idaho, Colorado, and Arizona itself have abundance of mineral belts that have been largely explored, there has not been found more than one exceptionally large silver lode—the Comstock—and it is probable that the railway, even if completed through Arizona, might not materially increase the production of silver. I make this reference to Arizona in case some wild ideas may be set afloat as to a deluge of silver in connexion with railway extension there, and the more so because, although no valuable large bodies of silver ore have been discovered, some very valuable small ore bodies have been worked.

The Report of Mr. Goschen's Committee, taking the mean between Dr. Linderman's £10,000,000 and Messrs. Rothschild's agents' £8,000,000, has placed the estimate for 1876 at £9,000,000, whereas the amount will not exceed £5,600,000. This over-estimate of £3,400,000, or about 60 per cent., is of the utmost importance in considering the question of supply, and the deduction of this large amount from the figures in the Report puts a very different aspect on the prospect of the silver question.

Having thus shown that the Report contains a largely exaggerated estimate of the production, and having stated the opinion of the best informed persons here that the yield is not likely to be materially increased, while the giving out of the Consolidated Virginia and California mines would strike out one-half the production, without, so far as is known yet, leaving any mines behind at all adequate to fill their place, I now pass from this branch of the question to consider the reasons for thinking that the speculative prospect decidedly leans to an advance in the price of silver.

The silver panic in London not only alarmed the British and Indian Governments and British and Oriental merchants, but it extended to the United States with almost equal force; to the Pacific States, which are deeply interested

*Times Correspondent.*

in the production of the article; and to the citizens of the United States generally, who are beset on all sides with questions of gold, silver, and paper currency, in view of the resumption of specie payments, solemnly decreed by Statute to begin on January 1, 1879. Now, there is a Silver Commission, consisting of three United States' Senators, three members of the House of Representatives, and three so-called experts, sitting at present in New York. Of these, the most prominent are Senator Jones, of Nevada, the chairman, a large owner of mines, and an uncompromising advocate of the double standard; and Senator Boutwell, of Massachusetts, late Secretary of the Treasury. Of the nine members of the Commission, it is understood that the majority favour the double standard—that is, gold and silver as legal tender to unlimited amounts; while the advocates of the single gold standard are in the minority. It is impossible to say what evidence may come before them, but in a democratic country it is exceedingly difficult to resist the appeal of any important national industry to protection, and much more so when it is a question not of protective duties, but of giving, as they say in this country, a show to the silver interest as well as the gold interest in the forthcoming resumption without any loss to the country. However this may be, there is a growing feeling that somehow or other silver will enter in a material degree into the resumption scheme, and nothing has contributed to that so much as the panic in London, and the depreciation of silver. The Act of January 14, 1875, provides that the Secretary of the Treasury shall, on and after January 1, 1879, redeem in coin the outstanding legal-tender notes, so that redemption may be in either gold or silver coin. It must be understood, moreover, that from 1792 till 1834 gold and silver were both legal tender in the ratio of 1 to 15, which, under-weighting (over-valuing) silver, as compared with the proportion maintained in Europe of 1 to 15½, sent all the gold abroad and made silver practically the single standard, and that in 1834 the laws were altered so that gold and silver

were coined in the ratio of 1 to 16, thus overweighting (under-valuing) silver, as compared with the European standard, and causing it to be sent abroad, thus leaving practically the single gold standard. In 1873, silver was demonetized in the United States, though, of course, this was under the *régime* of an inconvertible paper currency. In California, however, by the general consent of the people, specie payments have been continued, and now we have here a gold currency of 20, 10, 5, 3, and 2½ dollar coins, and a token silver currency of 50, 25, 10, and 5 cent coins, now that the short-lived legal-tender character of the trade dollar up to $5 has been repealed, thus restricting the latter to the originally intended function of forming a means of exporting silver of certified weight and fineness to China, Japan, and other Oriental countries, where it was hoped that, besides its commercial value, it might be adopted as a standard coinage, and thus pass into extensive circulation. As yet it has not obtained any footing, except as an article of commerce, though considerable quantities have been exported.

It has been hastily concluded by Dr. Linderman and other American authorities, and from them accepted by the witnesses before Mr. Goschen's Committee, that the resumption of the United States will be in gold alone. The certainty of gold being employed, to the exclusion of full-valued silver, is assumed also in the Report itself; but, as I have stated above, the Act of January 14, 1875, provides for redemption in coin, and I very much misunderstand the whole spirit of American politics and politicians if the preponderating silver members of the Commission do not make a very hard fight to bring together and embody in their Report the most that can be said for silver. When the most is said the case will indeed be a very strong one, both from an economic and national point of view, and will, in all probability, end in something important being done with silver and for the silver interest. There cannot be a doubt that the predominant opinion of the United States

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is in favour of the resumption of specie payments; and it is certain that the most strenuous efforts will be made by the Republican party to begin redemption on January 1, 1879, a little more than two years hence. If Mr. Hayes is elected to the Presidency, resumption will be the most urgent and important work lying before his Administration, and the only probable check may be the Democratic House of Representatives. If Mr. Tilden is elected, it will, without the consent of the Senate, in which the majority is Republican, be impossible to repeal the Resumption Act or to defer the date; while if Mr. Tilden is once installed in the White House, being a hard-money man, he will in all probability see that the bringing back of the currency to a specie basis will be one of the greatest and most memorable acts of his Administration. Now, what does resumption involve? The total outstanding legal-tender notes amounted on September 30, 1876, to $368,494,740, exclusive of the fractional currency. In addition to this there were outstanding on July 1, 1876, National Bank and National Gold Bank notes to the amount of $330,899,146. The former are issued by the Controller of the Currency to all banks, restrictions limiting the total amount issuable having been removed by the Act of January 14, 1875, on deposit at the Treasury of United States' bonds bearing interest in gold, the amount of the notes being 90 per cent. of the par value of the bonds deposited, and out of this 90 per cent., 5 per cent. has to be deposited in the Treasury as a provision for redemption. In the case of the National Gold Banks the notes issued amount to 80 per cent. of the par value of the bonds, and these banks being in the Pacific States only, the notes circulate at par in gold. The National bank notes circulate on the same terms as United States' legal-tender notes, having the most undoubted security—namely, the obligation of the United States, if called upon, to redeem them by the sale of the interest-bearing bonds deposited, with the additional security of the other funds of the banks. The legal-tender notes are, therefore, the fixed currency,

which cannot be increased or diminished by demand and supply, though the Act of January 14, 1875, provides a means by which they may be reduced so as not to fall below $300,000,000 until resumption begins. But the bank-notes form the elastic part of the currency, so that the United States' Government gained two objects by establishing the National Bank system; they created a home market for their bonds, and while their own inconvertible legal-tender notes are outstanding, with no means of accommodating them to the wants of the people, the National Bank notes perform the accommodating function, as they can be increased or diminished by the banks to suit the wants of their respective districts. To this must be added about $145,000,000 of gold and silver coin and bullion, the amount estimated by Dr. Linderman, making the total legal-tender note, bank-note, and specie circulation of the United States about $775,000,000, valued in gold, allowing a discount of 10 per cent. on the par value of the fractional currency legal-tender and National Bank notes, the gold notes being about $1,427,000. The present gold value of the total circulation thus amounts to about £160,000,000 sterling, against a total circulation in coin and notes in the United Kingdom of about £187,000,000.

Whatever, therefore, may be the form of resumption, whether in gold alone with silver as subsidiary, in full-valued gold and silver at a fixed or varying ratio, or in silver alone with gold as subsidiary, facilitated in either of the last two cases by a convertible note issue, the demands of the United States' Mint on the $28,000,000 of yearly silver production are not likely to leave much over for export for years to come, and there is a strong probability that the Mint may become a large importer. But without waiting for the future or considering probabilities, what is the present position of silver in the United States? In terms of the Act of January 14, 1875, the redemption of the fractional currency—that is, of legal-tender notes for 10, 25, and 50 cents., amounting to about $40,000,000—is now

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going on in token silver coin of like denominations; and the Act stipulates that the coining for this purpose is to proceed "as rapidly as practicable." On September 30 there was still outstanding $29,858,415 of fractional currency, and to complete the redemption the Secretary of the Treasury has still to purchase about $20,000,000 of silver; so that his necessities will require about $2,000,000 per month for the next ten months. Now, Secretary Morrill, finding that the leading producers of silver here will not contract to deliver the amount he requires, or any large portion of it, at present prices, goes on buying from hand to mouth; and he keeps a standing advertised offer for silver based upon the price in London. Rather more than a fortnight ago he raised the price to $1 15c. in gold per ounce of fine silver delivered at any of the Mints, or at the Assay Office in New York. The London price rules the silver markets of the world, and when the United States' Government purchase silver they do so at the equivalent of the London price of the day, less the cost of transmitting the silver to London. It is the same with wheat: the Liverpool prices rule, and the prices here are those of Liverpool, less charges of laying it down there. The course of the silver market therefore depends a very great deal on Secretary Morrill. He must buy about $2,000,000 per month, and that for a time will absorb nearly all the production in the United States. If he were to make an offer for the remaining $20,000,000 on terms that the producers would accept, the fact that positive contracts had to be fulfilled at the rate of $2,000,000 per month would, in the opinion of producers, immediately send the price of silver in London up to some considerably higher figure than the present; and it is this idea that causes them to be unwilling to contract for large amounts for future delivery at present low prices.

The movements of silver in the United States must also come into our calculations. The exports from all ports for the years ended June 30, less the imports (see appendix to Report, pp. 143, 145), amounted in 1872 to $25,302,543; in

1873, to $26,953,369; in 1874, to $23,636,216; in 1875, to $17,947,241—a very different state of things from increasing export. I have been unable to obtain the figures for the year ended June 30, 1876; but I may quote the exports, less imports, of gold and silver (not silver only) at the port of New York for the period from January 1 to September 30 of the following years:—$55,102,000 in 1872; $36,453,000 in 1873; $38,489,000 in 1874; $53,900,000 in 1875; and $35,434,000 in 1876. The exports, less imports, of silver at the port of San Francisco from January 1 to September 30, 1875, were $1,924,632; and for the same period of 1876, $3,943,843.

The silver question in the United States, may, therefore, be summed up in few words. The total production for the year 1876 will amount to about 24,000,000 oz. of fine silver, valued at $1 15c. per oz., the price of the day, at $27,600,000 in gold, and there is no reasonable expectation of increase for the future from all known sources, while the continuance of the present supply is, to say the least, problematical. The redemption of the fractional currency will require $20,000,000 more, and if coinage is commenced for resumption on January 1, 1879, on the single gold standard, there will be needed at least $75,000,000 of subsidiary silver coin; and if the double standard be adopted, involving full-valued silver coin, or the single silver standard be adopted with gold as subsidiary, it is difficult to say to what price silver may rise.

Passing across the Atlantic to England, what are the main facts that confront us in regard to silver there? The total imports into the United Kingdom for the eight months ended August 31, 1876, were £8,286,797, against total exports during the same period £7,559,314, showing the net imports to be £727,483. Now, taking the allowance for eight months for manufacturing purposes of £400,000, the report of Mr. Goschen's Committee setting down the annual consumption at £600,000, and estimating the coinage for the same period at £400,000 in the proportion for the

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year 1875, these two items give £800,000 against a net import of £727,483. On further analyzing the Tables of Export and Import in the Supplement to the *Economist* of September 9, 1876, the imports of silver from Germany during the first eight months of 1876 were £2,689,271 against £707,375 in the same period of 1875, showing the imports to be £1,981,896 more in the period of 1876 than of 1875, and, allowing for an excess of export to Germany for the period in 1876 as compared with 1875, the net imports from Germany into the United Kingdom were £1,898,383 more in the first eight months of 1876 than of 1875. On the other hand, the diminution of net imports from Mexico, South America (except Brazil), and West Indies, amounted to £511,219 for the period of 1876 as compared with 1875, and similarly a diminution in net imports from the United States of £81,912. So that looking on the supply and demand as almost exactly balanced in the period under consideration, the supply is only kept up by an excessive import of £1,898,383 from Germany, a merely temporary source of supply, whereas the United States, Mexico, South America, and the West Indies, the permanent sources of supply, from which largely increased quantities were confidently reckoned upon, show a falling off during the eight months of £593,131. Further, the total imports of silver into the United Kingdom for the four years and eight months from 1872 till the 31st of August, 1876, were £54,836,000, and the total exports for the same period were £49,093,000, making net imports £5,743,000. Taking the figures for coinage for the four years—namely, £3,810,115, and taking £400,000 for the eight months in 1876 as already estimated, and adding for manufacturing purposes £600,000 per annum—a total home consumption for these four years and eight months is obtained of £7,210,000, against a total net import during the same period of £5,743,000, making an excess of export and consumption of £1,467,000 over the supply. Moreover, the net exports of silver to British India for the first

eight months of 1876 exceeded those during the same period of 1875 by £1,622,025, and if British India, China, and Japan, are taken together, the increase of export was £1,380,825.

Yet this diminution of import from the producing countries was happening at the very time when there was a severe panic in London, in consequence of the belief that the world was going to be deluged with silver from these sources, and this excess of export and home consumption over supply was going on in the leading silver market of the world, while it was supposed that Europe was being flooded with silver in consequence of the demonetization by Germany. Then the average price of silver during these last five years of deficient supply fell from $60\frac{1}{4}d.$ in 1872 to $59\frac{1}{4}d.$ in 1873; to $58\frac{5}{16}d.$ in 1874; to $56\frac{3}{4}d.$ in 1875; and to $52\frac{1}{2}d.$ in the first eight months of 1876. The average price from 1852 to 1872 had been $61d.$, and from 1868 to 1872 $60\frac{1}{2}d.$ The fall from $52\frac{1}{2}d.$ to $47d.$ in July last may be regarded as the depreciation of sheer panic; but the actual fall from $60\frac{1}{2}d.$ in 1872 to $52\frac{1}{2}d.$, is $13\frac{1}{3}$ per cent.; and from $56\frac{3}{4}d.$ in August, 1875, to $52\frac{1}{2}d.$ in August, 1876, about $7\frac{1}{2}$ per cent. I remark here that the rise of the price of silver after the gold discoveries in Australia and California was from $59\frac{1}{2}d.$ to $62d.$, or only $4\frac{1}{5}$ per cent.

The supply of silver thus falling short of the demand, the actual fall in price must arise from one or two causes. Either the cost of producing or acquiring it has diminished, or the cost of producing gold or of acquiring it has increased. There is no reason for supposing that the cost of producing silver has diminished, as although two mines in Nevada are making extraordinary profits at present, this is not the case in Mexico, South America, or in many other mines in Nevada; and, following the economic law that the price of the total production of any article is determined by the cost of that part of the supply which is produced at a profit under the greatest disadvantages, it is clear that the price of silver will not be determined by the cost in the more

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profitable mines of Nevada, but by the cost in the least profitable mines of Nevada, Mexico, and South America. But the demonetization of silver in Germany had, at the time of the sittings of Mr. Goschen's Committee, caused £6,000,000 to £7,000,000 of silver to be sold, and, therefore, by the effect of this additional supply, to be acquired cheaply, though that has not hindered the export and home consumption of silver in the United Kingdom from being £1,467,000 in excess of the net imports, including whatever of this surplus German silver may have come to London. On the other hand, there is no reason to suppose that there is any material increase in the cost of producing gold, but in the last four years the German Government have accumulated about £60,000,000 of gold. So that the two main causes tending to lower the price of silver have been the £6,000,000 to £7,000,000, about £2,000,000 a year, that the German Government have sold, and thus practically added to the supply; and the purchase or acquisition of about £60,000,000 of gold drawn from the yearly production and the gold supplies of the world, thus rendering gold scarce, and therefore dear. Now this increase of silver and diminution of gold must have had their natural influence on the relative prices of these metals, and the question is in what proportions £6,000,000 to £7,000,000 of silver added to the supply, and £60,000,000 of gold subtracted from the supply, have respectively contributed to the fall in the gold value of silver of 13½ per cent., since the German accumulation of gold began to the present time, when the price is 52½*d*. There have also been purchases of gold for Sweden and Norway, Holland and Japan, assisting in rendering gold scarce. If the price of silver had fallen in consequence of its excessive amount, the effect would have been distinctly traceable in a general rise of silver prices in India, while silver was depreciating. But in a letter in *The Times* of September 6 this is distinctly asserted not to be the case, while on the other hand it is asserted that in London gold prices of Indian imports have fallen in consequence of the increased

purchasing power of gold. In one of the business notes of the *Economist* of September 16 a list is given of twenty-four articles of import during the month of August placed "nearly according to their relative importance," with the prices current in August, 1875, and August, 1876, and of these the first eleven staple articles, beginning with cotton, have all declined in value, the average fall in price being $7\frac{1}{5}$ per cent.; and of the other thirteen articles seven have increased in price, including silk, in consequence of the diminution in the European crop, and flax and jute, and six have decreased in value. Now, it is very singular that taking the average gold price of silver for August, 1875 (Appendix to Report, p. 20), at $56\frac{1}{4}d.$, and for August, 1876, at $52d.$, the depreciation in the twelve months is about $7\frac{1}{2}$ per cent.; and taking the first eleven articles referred to above, the average depreciation in gold prices is $7\frac{1}{5}$ per cent. during the twelve months; while the prices in India, where an excess of silver should have been distinctly felt, are stated to remain comparatively stationary, and China was so bare of silver that the rate of exchange for six months' bills on London rose in Shanghai from $60\frac{1}{4}d.$ to $70d.$ per Shanghai tael, as soon as the tea and silk seasons set in, that is the end of May or beginning of June, thus producing a rapid variation of about $16\frac{1}{2}$ per cent.

I will illustrate the large profits that were for a brief time obtainable by the figures of an actual shipment of silver made by the agent of a China bank here about the 12th of July, just immediately after a sale of Council draughts in London at the lowest rate at which sales were made:—

| | |
|---|---|
| 400,000 *oz.*, 998 fine silver, at 23 per cent. discount ...................................... | \$397,413 gold. |
| Paid for by telegraphic transfer on London at $48\frac{3}{4}d.$ per \$ .............................. | =£80,724 10 0 |

OUTTURN IN SHANGHAI.

| | |
|---|---|
| Canton Taels, weight 331,120, sold at tls. 111·4 = Shanghai Taels, 368,867·68 —invested in six months' bills on London, at $5s.\ 9\frac{3}{4}d.$ ......................... | £107,202 3 6 |

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About £1,200 have to be deducted for interest in London, leaving a balance of profit on the transaction of about £25,000, or rather more than 30 per cent.

Yet in *The Times* of September 8 the total imports of ten of the above eleven articles (brandy not being mentioned in *The Times* list), for August, 1876, were £12,680,766, against £12,460,345 in August, 1875, or less than 2 per cent. in favour of 1876, while the average prices of the individual articles had declined in the twelve months about $7\frac{1}{5}$ per cent., almost exactly the amount of the fall in silver during the same period. I do not assert that the rise in gold is the sole cause of the simultaneous decline in staple articles and in silver of over 7 per cent., but at least the above shows a case for investigation where fuller materials on the subject are accessible. At the same time the burden of evidence seems to favour the idea that the fall in silver has been mainly brought about by the rise in gold in consequence of what has been practically a permanent lock-up by Berlin of £60,000,000, which, disturbing the normal movements of gold to that extent, has made it scarce and raised its purchasing power.

It would indeed be strange if £60,000,000 of gold could be withdrawn from the ordinary sources of supply and circulation without having a decided effect; so, accepting this rise in its purchasing power as beyond all doubt, and that this is the chief cause of the depreciation of silver, the question is, can silver be brought back to its former price, and how? There are four ways in which silver might be made to rise to its former average ratio to gold of $15\frac{1}{2}$ to 1—(1) by a diminution in the supply of silver itself, or (2) by an increase in the demand for it; (3) by an increase in the supply of gold, or (4) by a diminution in the demand. In the first case, from what is known at present, there is no reason to expect any increase in the supply of silver, and the chances are in favour of diminution; in the second case, there is the certainty of an enlarged demand for it by the United States Government, and a high probability of their

absorbing all the home production and becoming importers, and this latter is a certainty also if the Act of January 14, 1875, is carried out, an Act not only signed by the President, but the approval of it made the subject of a special Message to the Senate. Regarding the third case, the rise in the purchasing power of gold will to some extent increase the supply, but not to any extent out of proportion to the demand, that is likely to have much effect on silver; and regarding the fourth case, there is no immediate expectation of a diminution in the demand for gold that is likely to materially lower its purchasing power, and the demand may be increased. The main hope of those interested in silver lies, therefore, in the carrying out of the Resumption Act by the United States Government. Certainly, if Mr. Hayes is elected to the Presidency there seems to me no loophole through which the Republican party can escape from beginning the redemption in coin of the national legal-tender notes on January 1, 1879. There can be no repeal of the Act without the concurrence of the Senate, which has a Republican majority, and the Act gives full powers to the Secretary of the Treasury, without further recourse to the Legislature, to use surplus revenues and to dispose of bonds so as to provide the means of resuming specie payments at the time appointed.

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# MOCATTA & GOLDSMID'S LAST YEARLY REPORT ON THE BULLION MARKET.

LONDON,
*29th December*, 1876.

| | s. d. | | d. |
|---|---|---|---|
| Bar Gold.............. | 77/10 ℔ oz. Std | Bar Silver ......... | $56\frac{3}{4}$ ℔ oz. Std |
| Ditto parting ... | $77/11\frac{1}{2}$ ,, | Do. contg Gold | $57\frac{1}{8}$ ,, |
| Doubloons, Spanish. | 77/3 @ 9 ℔ oz. | Mexican Dollars . | $57\frac{1}{2}$ ℔ oz. |
| Ditto, So: Amern | 73/10 ,, | Bolivian Dollars... | $54\frac{3}{4}$ @ 55 ℔ oz. |
| United States Eagles | 76/4 @ 5*d*. ℔ oz. | Quicksilver...... | £8.5 to £8.10 ℔ bot. |

GENTLEMEN,—During the past year the fluctuations in the price of silver have been quite unprecedented. In December, 1875, the price was $56\frac{1}{8}d.$, and the absence of any continuous demand for India, combined with large supplies from Germany, and an increase in the amount of Council Bills, caused a rapid and almost unbroken fall, till, in July, $46\frac{3}{4}d.$ was touched. This extremely low rate brought in purchasers from the Continent, and the failure of the silk crop in Italy and the consequent rise in the price of China silk so favorably affected the Eastern exchanges that, by August, the price had advanced to $53\frac{3}{4}d.$ Though this rise was not maintained at the time, there has been a progressive improvement, and, in the early part of the present month, $58\frac{1}{2}d.$—the highest price quoted for over two years—was obtained. Since then there has been a considerable relapse, large sales being made yesterday at $56\frac{1}{2}d.$ and the price to-day being $56\frac{3}{4}d.$, with every prospect of a further rise early in the coming year.

Several circumstances have combined to produce an earlier restoration of the value of silver than we ventured to anticipate; notably, the ascertained facts that Germany will not have as much silver to sell as was supposed, and that the production in America has not been as large as was estimated, while the United States Mints have absorbed so largely that a considerable amount was purchased here in November for that quarter.

There has likewise been an immense fluctuation in the price of Mexican dollars, following more or less the course of the silver market. Starting from *55d.* in January, the quotation reached 48½*d.* in July, and has subsequently recovered to 58½*d.* The last sales were made at 57½*d.*

The total imports of silver have been about £13,000,000, and the exports about £14,000,000.

For the greater part of the year there has been little export demand for gold, with the exception of some shipments of sovereigns for Portugal during the financial crisis there. For the last three months, however, not only have all the arrivals been taken for export, but very large amounts in United States eagles and bar gold have been taken from the Bank of England for America and Germany. There have also been occasional purchases for Paris.

The imports of gold have been about £23,000,000, and the exports about £16,000,000.

We are,

GENTLEMEN,

Yours respectfully,

MOCATTA & GOLDSMID.

12, KING'S ARMS YARD, E.C.